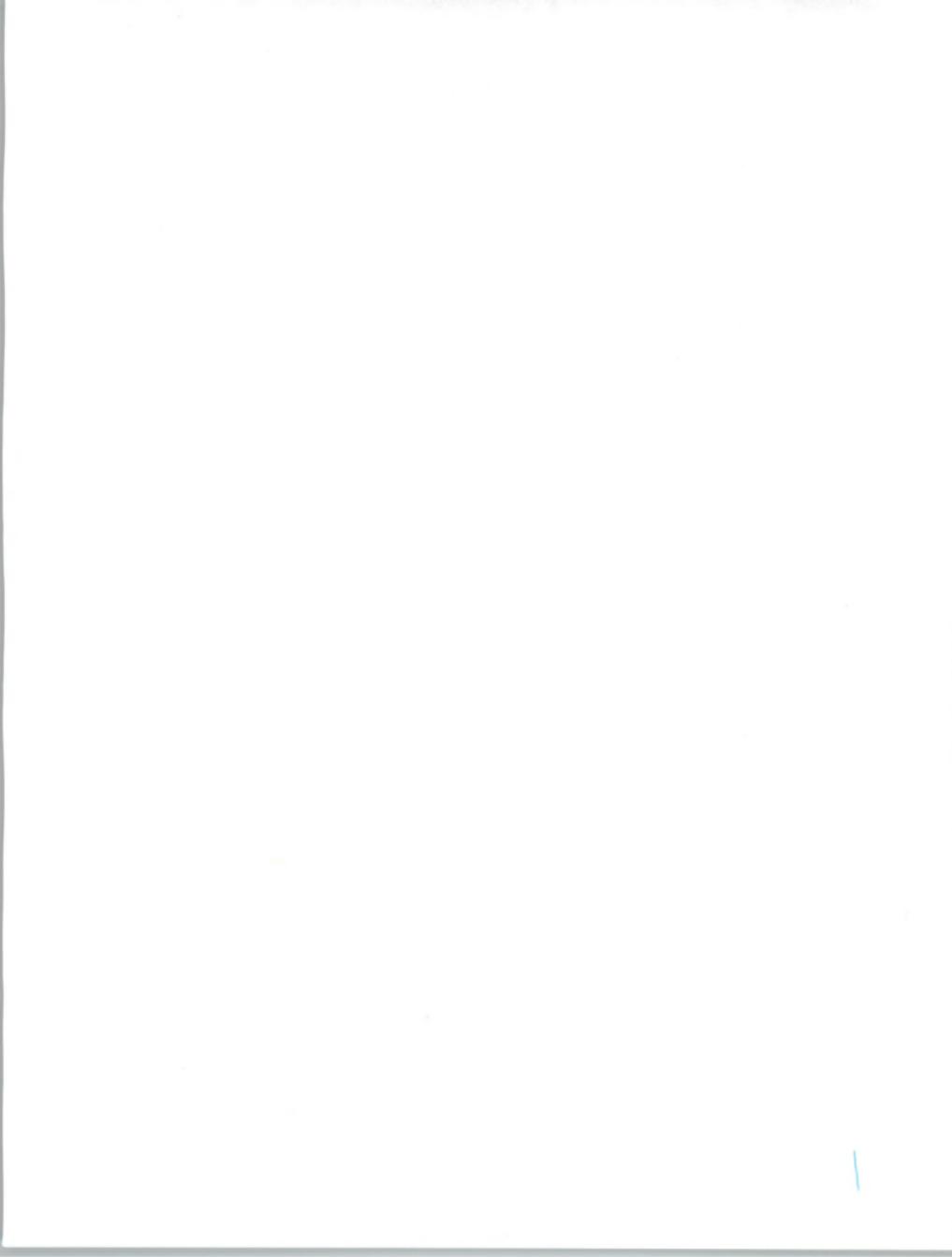


Outsourcing:
A European Perspective

19 October 1993

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Prepared by
INPUT
17 Hill Street, Mayfair
London W1X 7FB
England

Outsourcing: A European Perspective

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Outsourcing: A European Perspective

19 October 1993

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Outsourcing Market—France

	Spend (FF Bn)	93-98 Growth (%)
Total IT	324.0	1
Software and Services	105.0	7
Outsourcing	4.2	21

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Notes

The Computer Industry In the 1990s

Technology Revolutions
+
Organizational Evolutions
-
All the rules have changed

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IS Environment

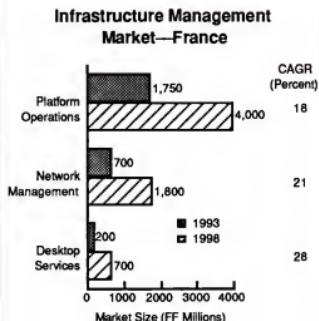
"Traditional"	"Downsized"
Mainframe	Client/server
Shared	Dedicated
Remote	Local
IS operated	User operated

- INPUT -

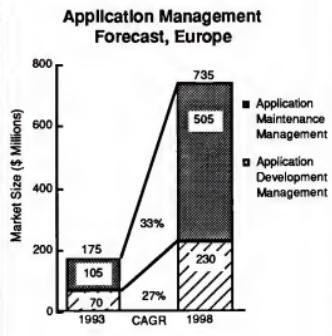
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Notes

Key Opportunities Outsourcing Europe

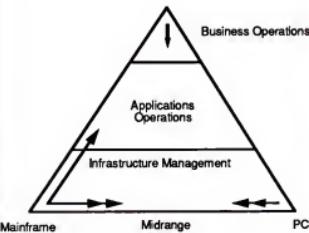
- Infrastructure not data centre management
- Business benefit not cost saving

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Evolution of European Outsourcing



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Notes

High Growth Sectors Outsourcing

- Distribution
- Transportation
- Government?

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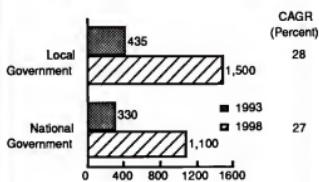
Major Outsourcing Contracts 1992-1993

Client	Vendor	Contract Value (\$ M)	Number of Years
Kooperativa Forbundet (KF)	EDS	1,000	10
East Midlands Electricity	Perot Systems	400	12
Europcar	Perot Systems	600	10
BHS	CSC	200	11

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Notes

Government IS Outsourcing by Sector—Europe, 1993-1998



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Opportunities in Local Government



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Notes

Threat from New Entrants

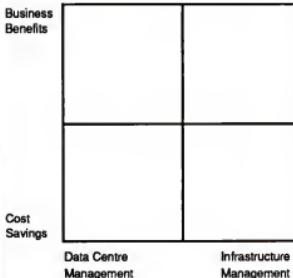
- Equipment vendors - do they subsidize equipment
- U.S. professional services vendors - the application of leading edge technology
- Large organization data centres - the threat of marginal pricing

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Vendor Positioning



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'Octopus' Strategy

Extend arms as far as possible around clients.

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Notes

Outsourcing Client Satisfaction

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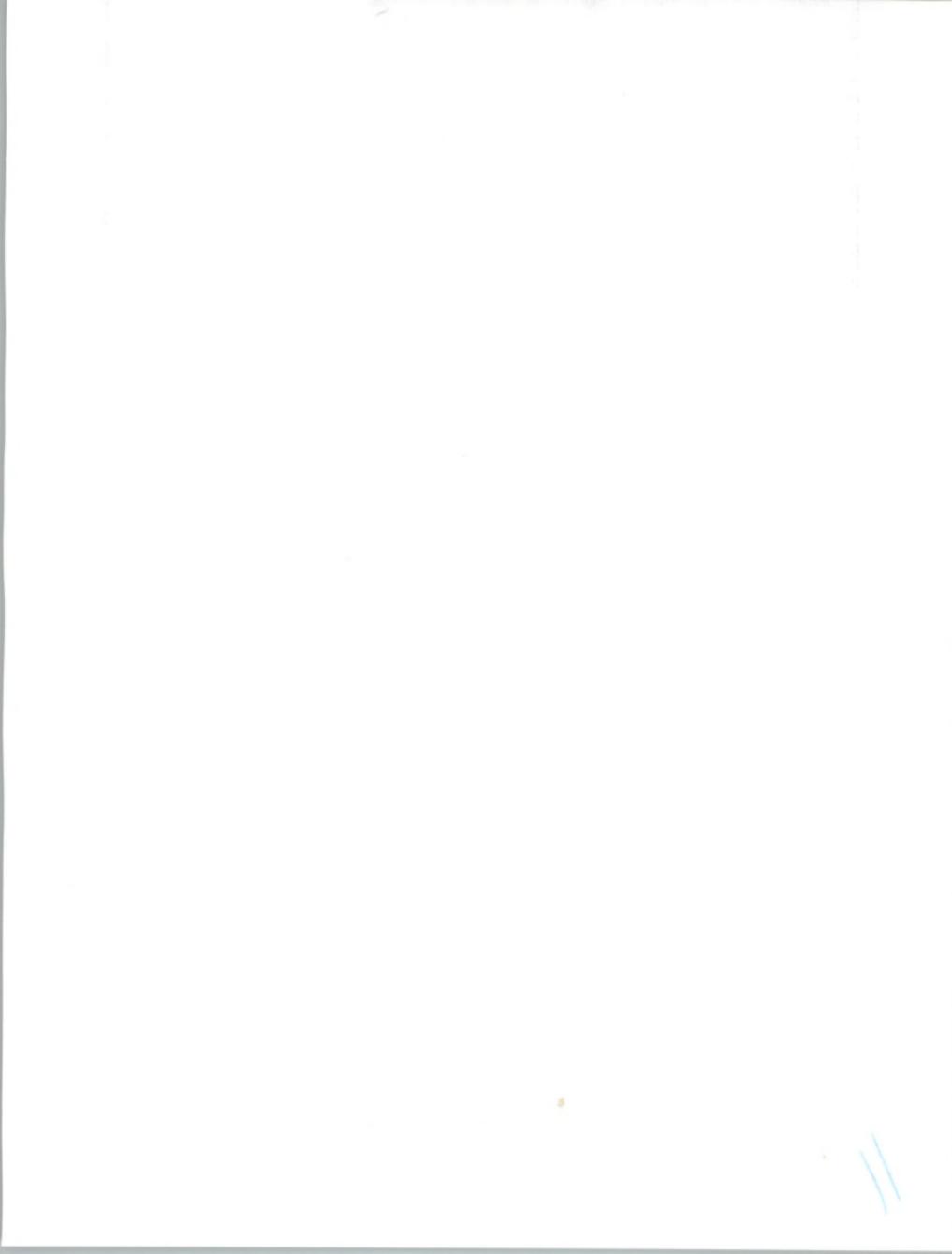
Survey Objectives

- Identify satisfaction ratings
 - Overall
 - By service type
- Identify benefits sought and levels of achievement
- Identify areas for improvement
- Identify future service requirements

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Notes

Survey Methodology

- Primarily managing directors and finance directors
- 47 Interviews
 - 20 United Kingdom
 - 17 France
 - 10 Germany

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Increasing Client Need for Outsourcing

- Client satisfaction
- Service improvement challenges
- Outsourcing business development

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Notes

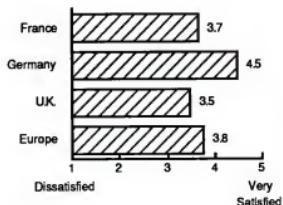
Client Satisfaction

- Opinions strongly polarised (satisfied/dissatisfied)
- Declines over time
- Traditional services favoured/new services weak

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Overall Satisfaction



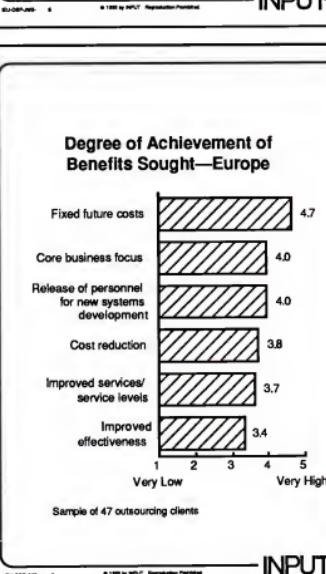
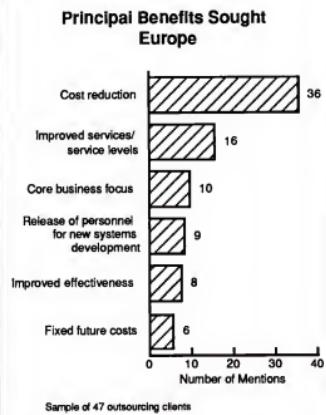
Sample of 47 users of outsourcing services

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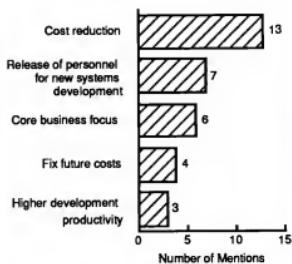
Notes



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Notes

Principal Benefits Sought—France



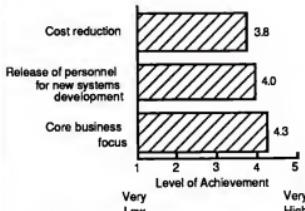
Sample of 17 outsourcing clients

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Degree of Achievement of Benefits Sought—France



Sample of 17 outsourcing clients

INPUT-8

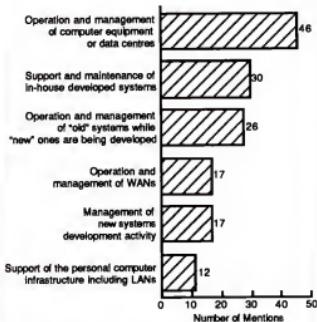
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Notes

Outsourcing by Service Category—Europe



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Service Improvement Challenges

- Vendor/client procedures and communication
- Proactive account development
- Understand client's applications and business needs

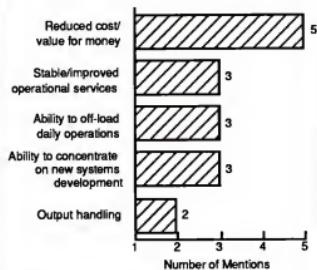
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Notes

Aspects of Service Liked—France

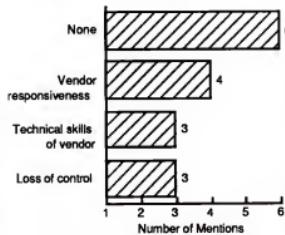


Sample of 17 outsourcing clients

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Areas of Dissatisfaction—France



Sample of 17 outsourcing clients

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Areas of Dissatisfaction—Europe

- Vendor responsiveness/communication
- Inadequate cost reduction
- Excessive bureaucracy
- Inadequate breadth of technical skills

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EU-DP-200 12

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Number of Clients Selecting Lowest Price Bid

Region	Did Select Lowest Price	Did Not Select Lowest Price
France	4	9
United Kingdom	6	10
Germany	3	5
Europe	13	24

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Notes



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Outsourcing Business Development

- Clients will increase their use of outsourcing - (70%)
- Clients will renew their outsourcing contracts - (90%)
- Moderate vendor loyalty in France

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Notes

Overall Satisfaction by Contract Start Date



Sample of 29 outsourcing clients

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Action at End of Present Contract

Action	Number of Mentions	
	France	Europe
Continue to outsource	12	33
Stop outsourcing	1	4
Total	13	37

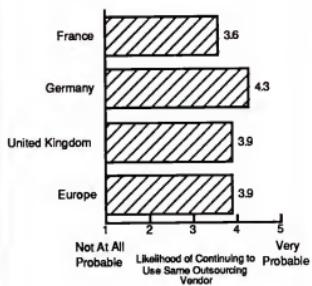
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Client Loyalty

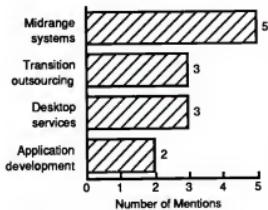


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Increased Scope of Outsourcing—France



Sample of 12 outsourcing clients

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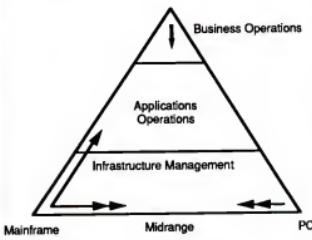
Notes

How to Improve Use of Outsourcing

- Outsource more activities
- Improved communication and partnerships
- Meet emerging client needs

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Evolution of European Outsourcing



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- EDI/Electronic Commerce
- U.S. Federal Government IT Markets
- IT Customer Services Directions
- Interactive Communications Services
- Multimedia Opportunities

SERVICE FEATURES

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(Over 100 in-depth reports a year)

Frequent bulletins on events, issues, etc.

5-year market forecasts

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Immediate answers to questions

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- Software and Services Market Forecasts
- Software and Services Vendors
- U.S. Federal Government
 - Procurement Plans (PAR)
 - Forecasts
 - Awards (FAIT)
- Commercial Application LEADS

CUSTOM PROJECTS

For Vendors—analyze:

- Market strategies
- Product/service opportunities
- Customer satisfaction levels
- Competitive position
- Acquisition targets

For Buyers—evaluate:

- Specific vendors
- Outsourcing options
- Market opportunities
- Systems plans
- Peer position

OTHER SERVICES

Presentations to user groups, planning meetings, etc.

Acquisition/partnership searches

Newsletters

INPUT WORLDWIDE

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Sudetenstraße 9
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Tel. +49 (0) 6447-7229
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London
17 Hill Street
London W1X 7FB
England
Tel. +44 (0) 71 493-9335
Fax +44 (0) 71 629-0179

New York
400 Frank W. Burr Blvd.
Teaneck, NJ 07666
U.S.A.
Tel. 1 (201) 801-0050
Fax 1 (201) 801-0441

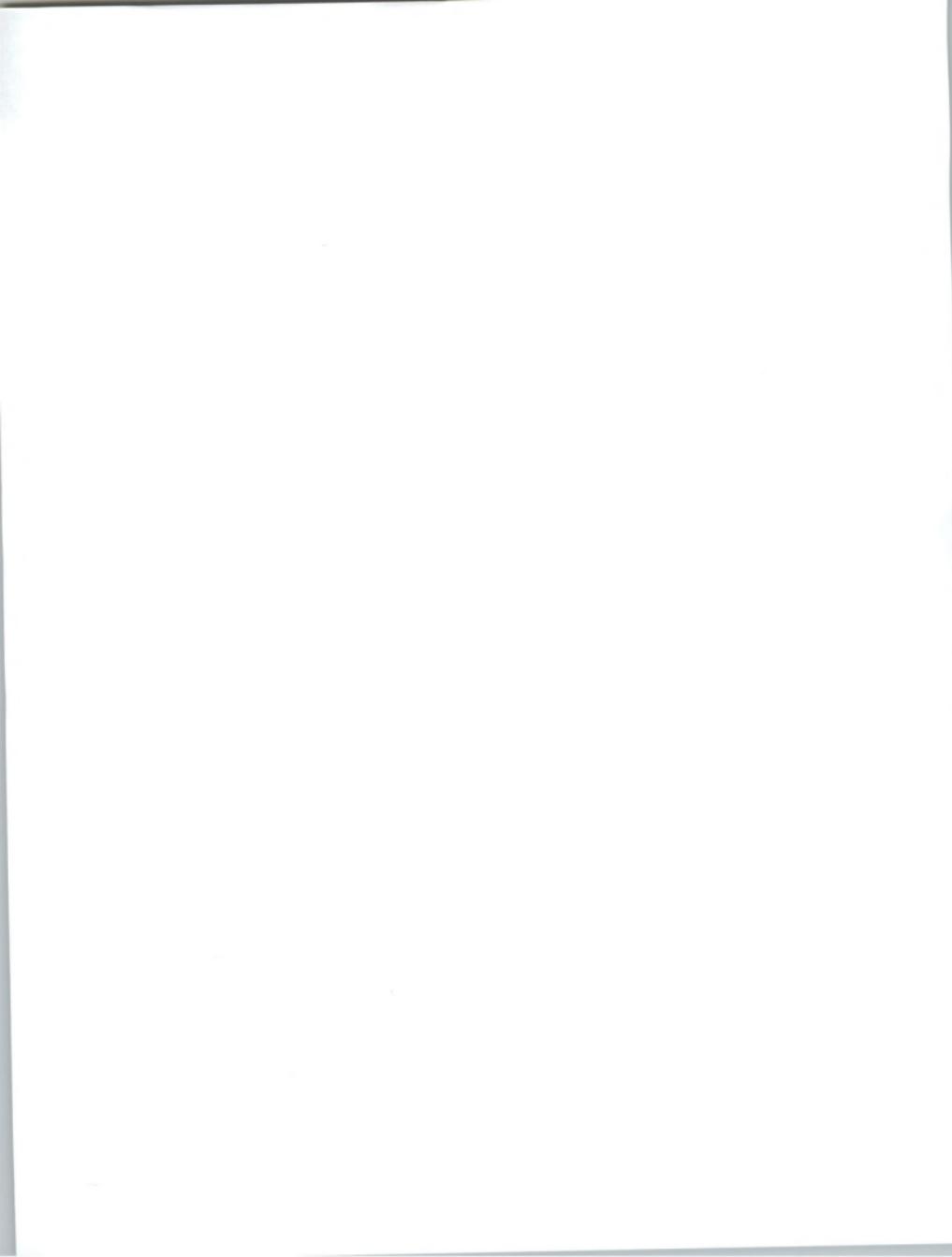
Paris
24, avenue du Recteur
Poincaré
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France
Tel. +33 (1) 46 47 65 65
Fax +33 (1) 46 47 69 50

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U.S.A.
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Chiyoda-ku, Tokyo 101
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Outsourcing: A European Perspective

19 October 1993



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The Computer Industry in the 1990s

Technology Revolutions

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Organizational Evolutions

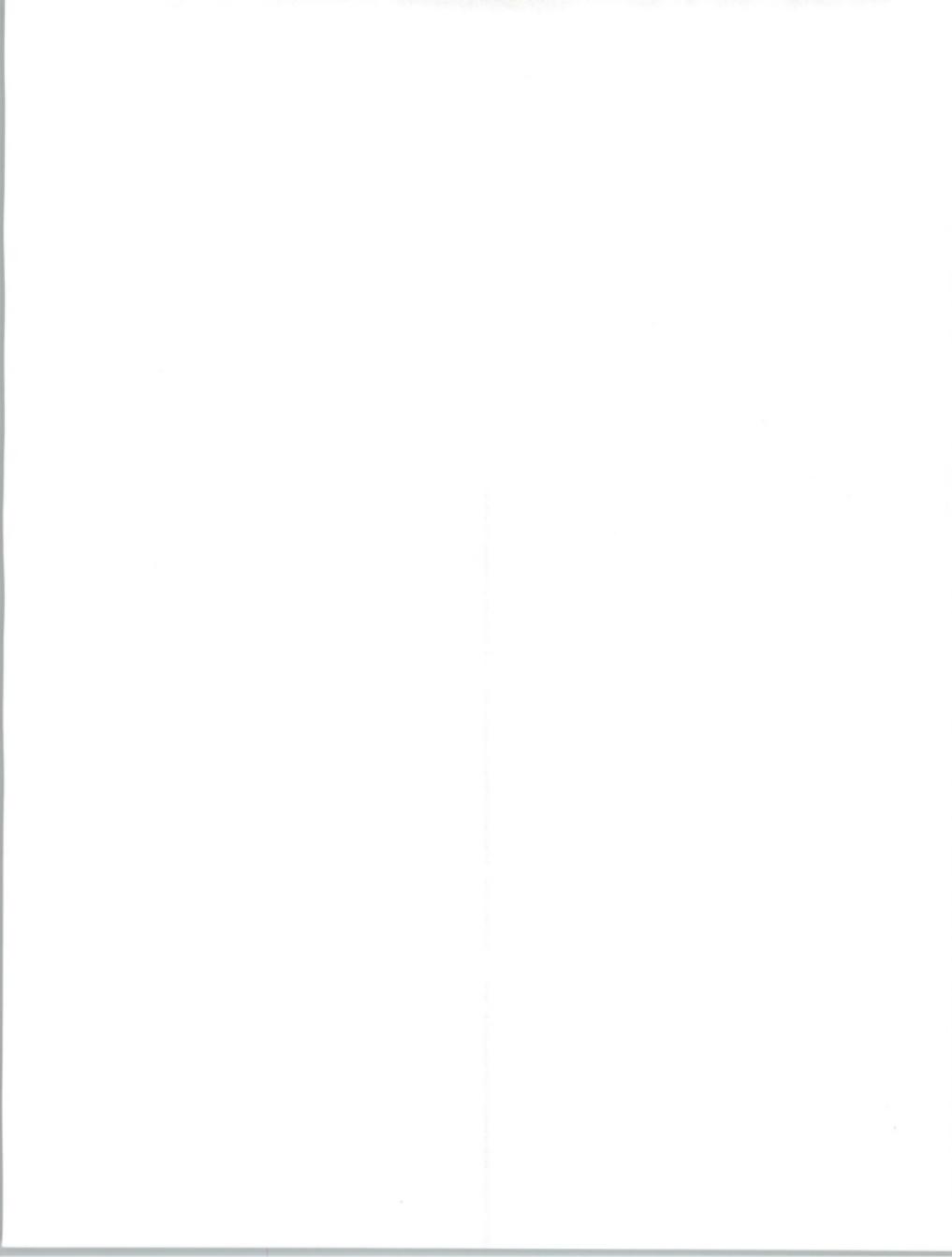
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All the rules have changed

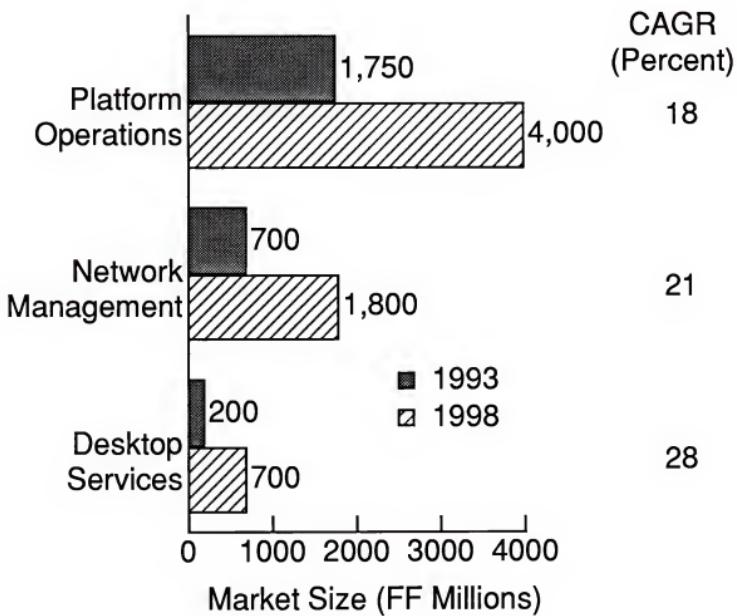


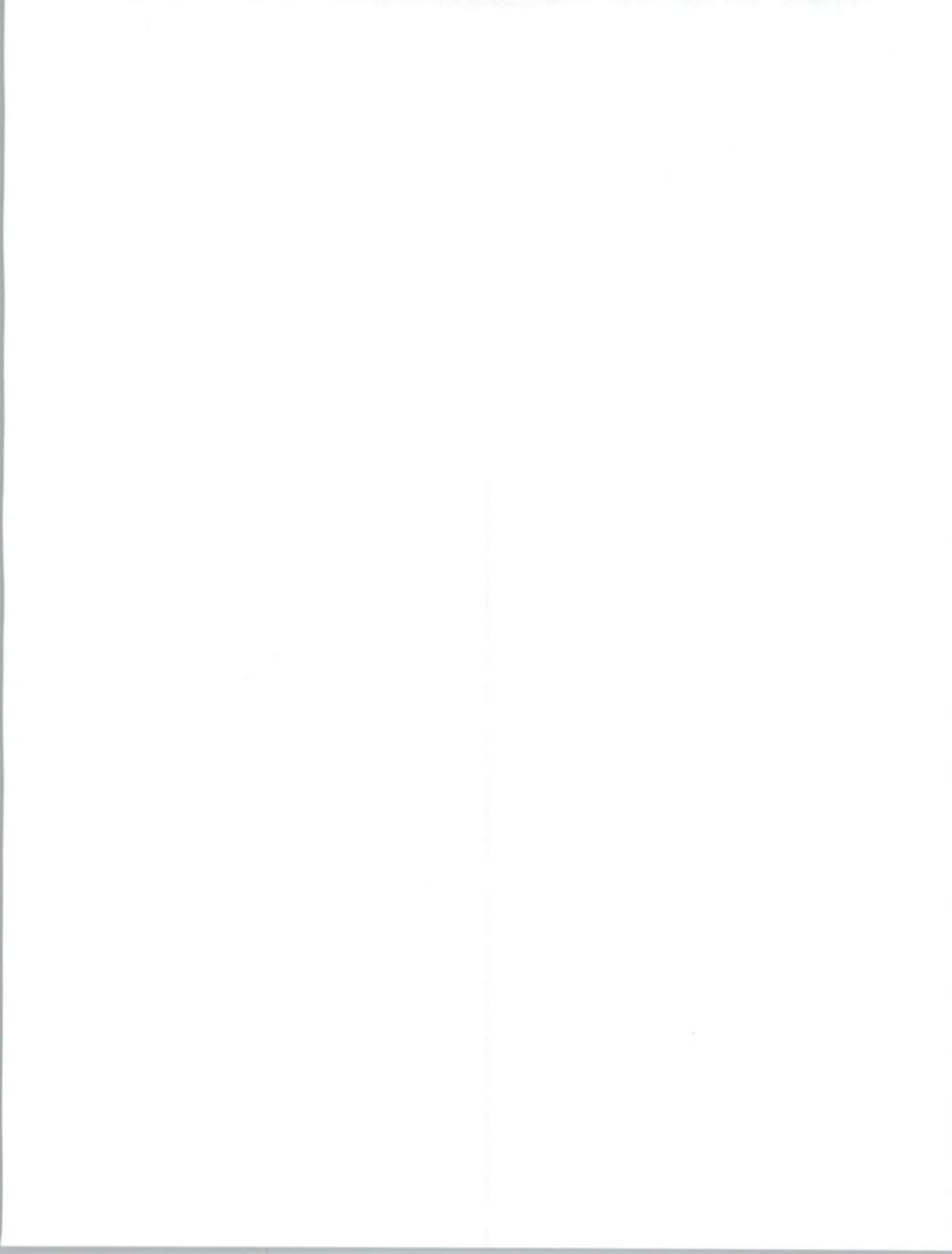
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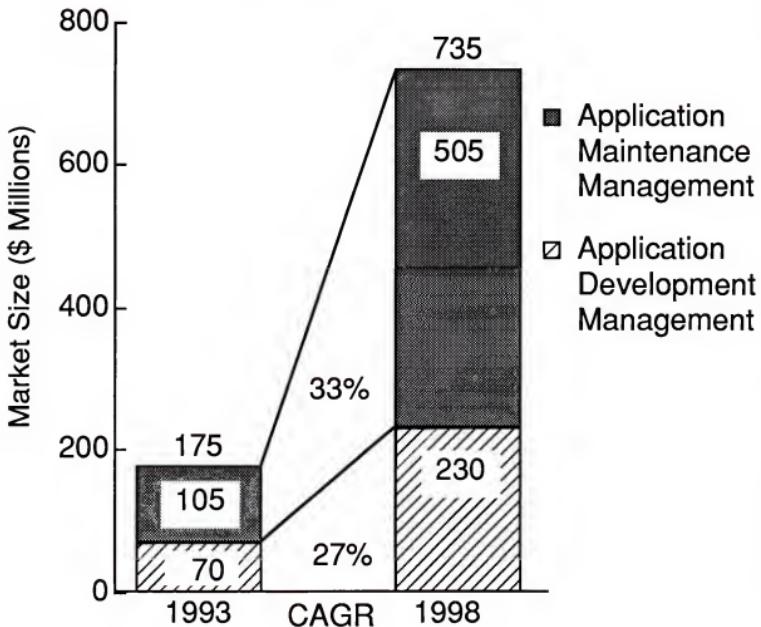


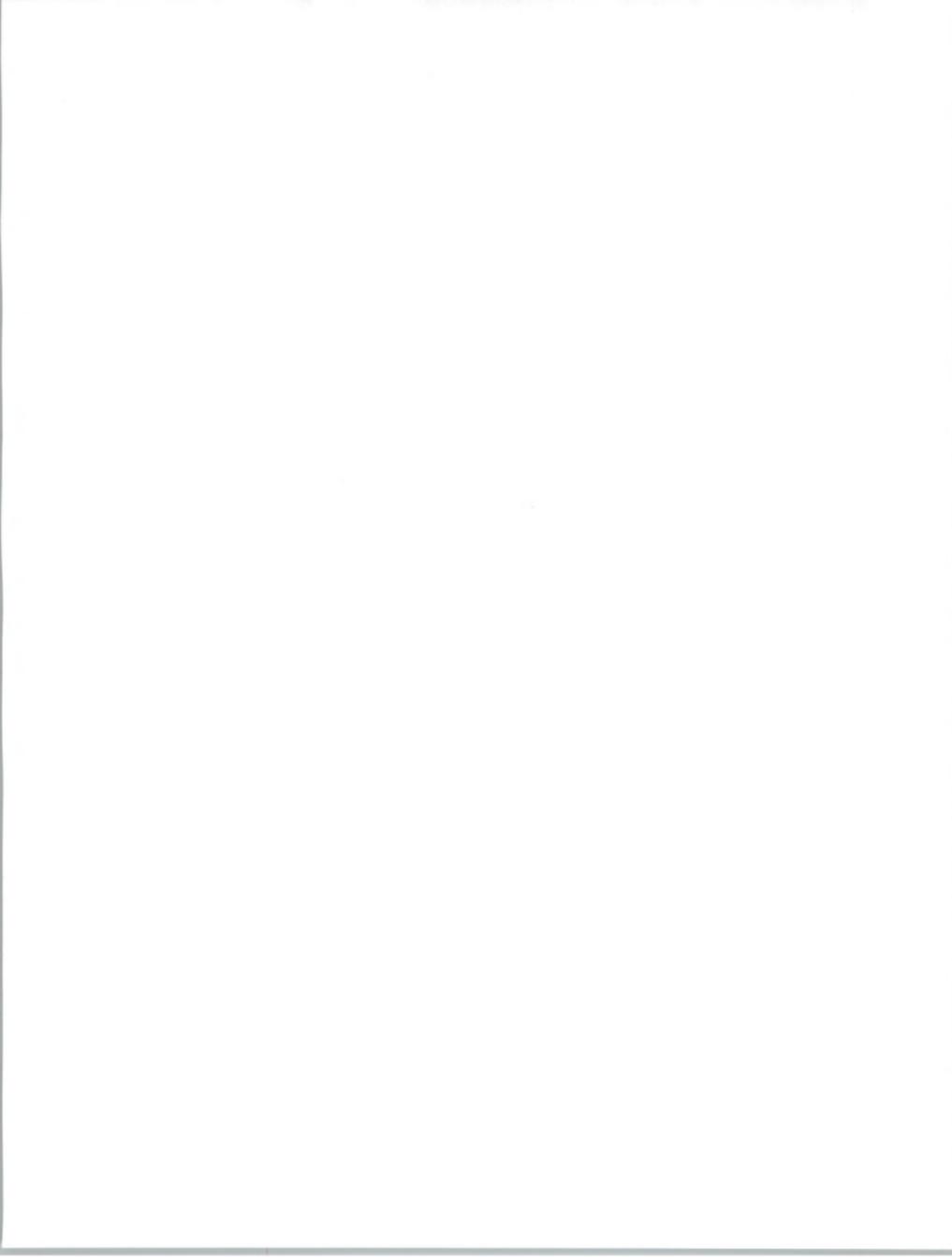
Infrastructure Management Market—France





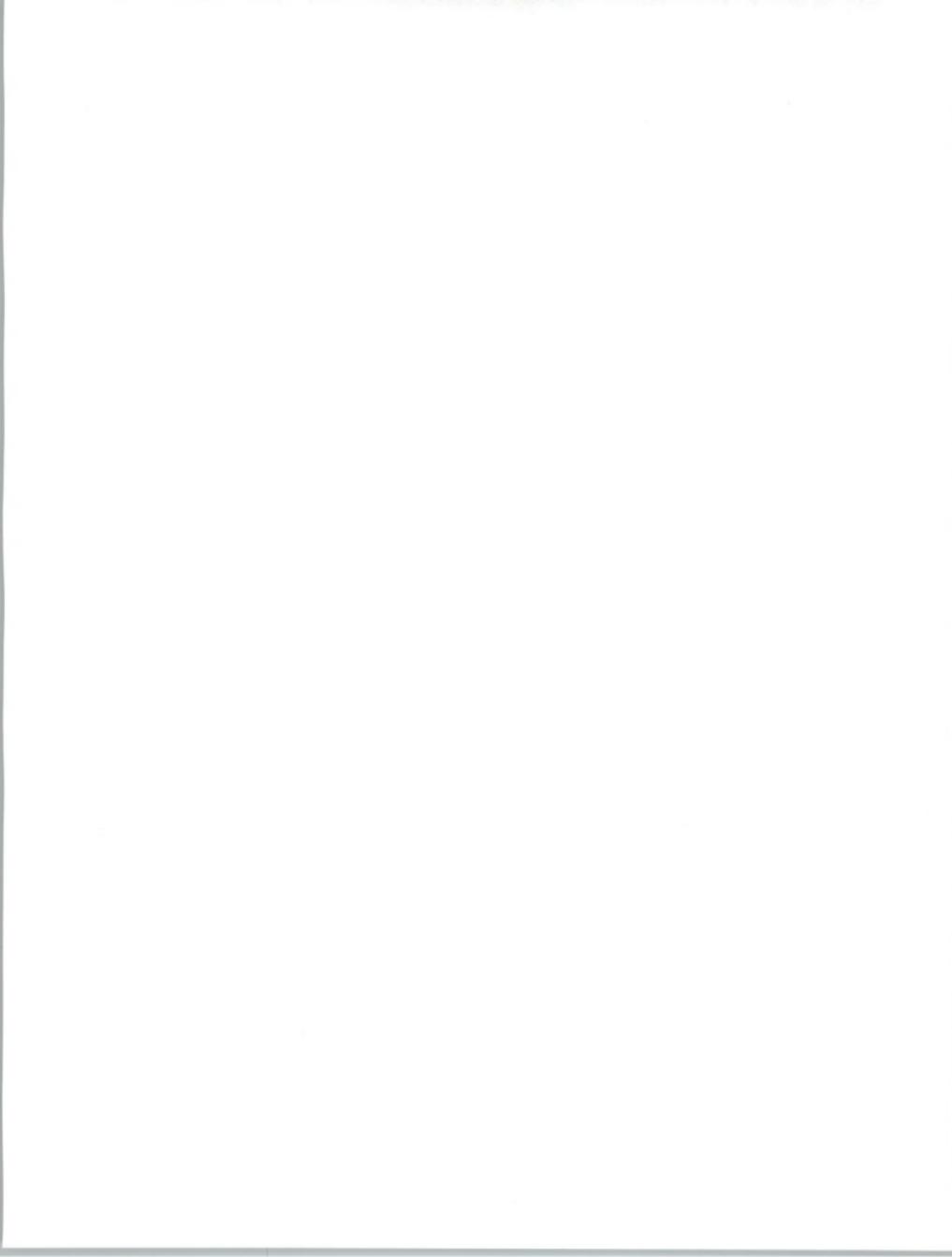
Application Management Forecast, Europe



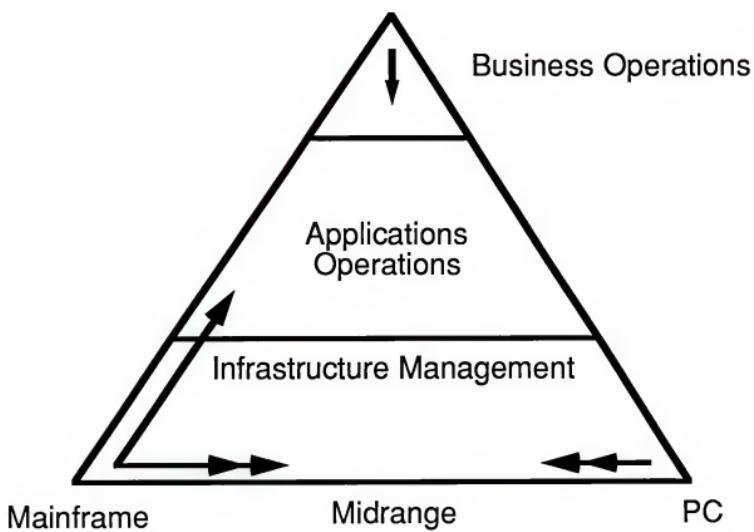


Key Opportunities Outsourcing Europe

- Infrastructure not data centre management
- Business benefit not cost saving



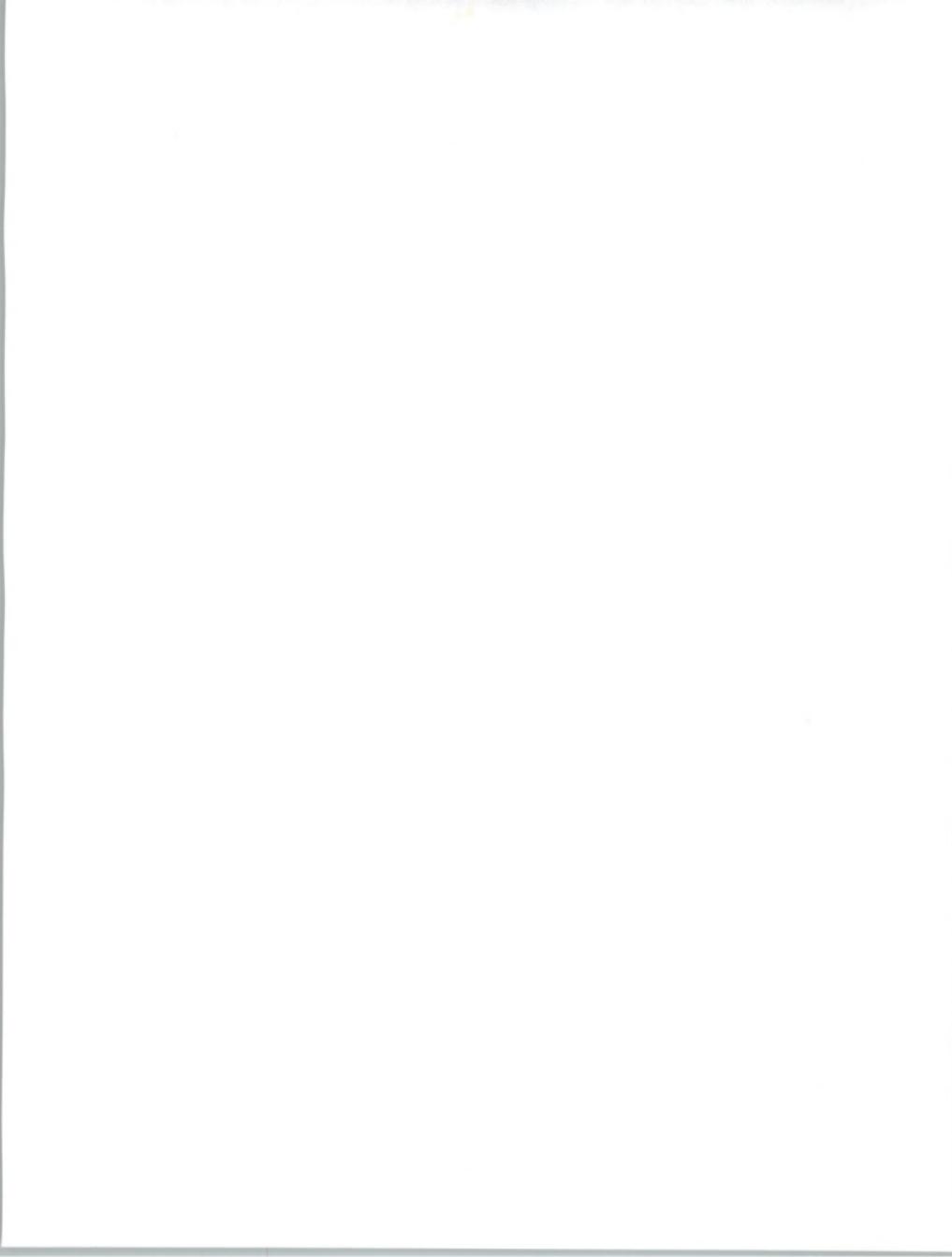
Evolution of European Outsourcing





High Growth Sectors Outsourcing

- Distribution
- Transportation
- Government?

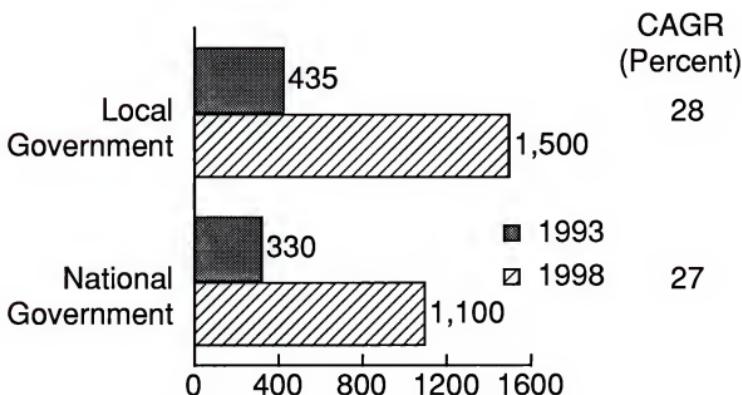


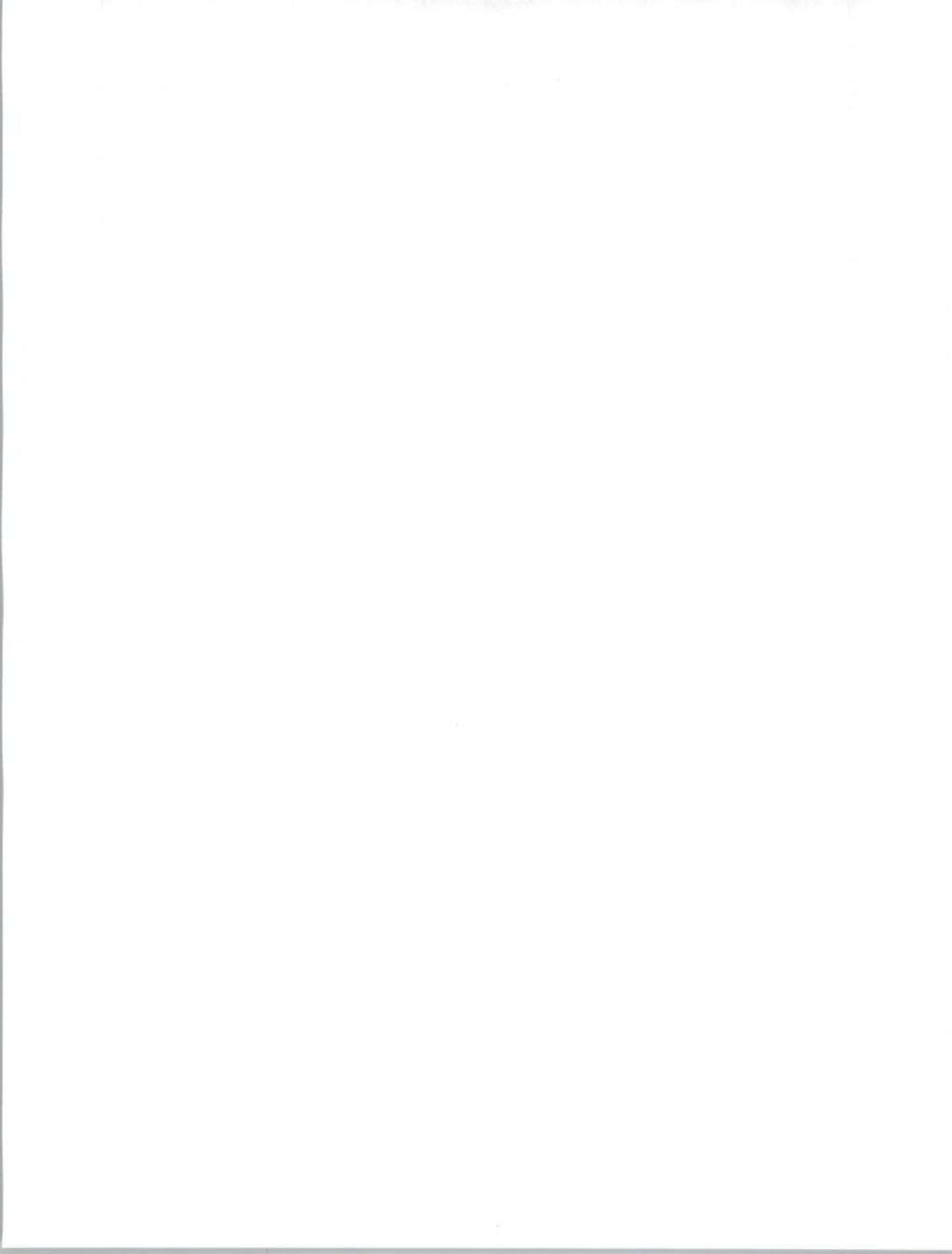
Major Outsourcing Contracts 1992-1993

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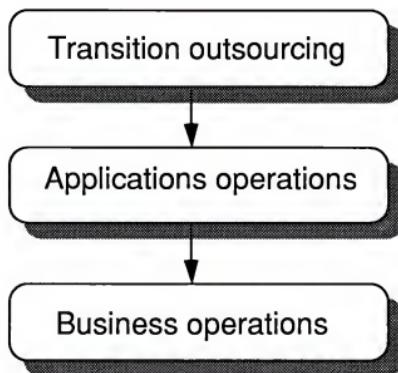


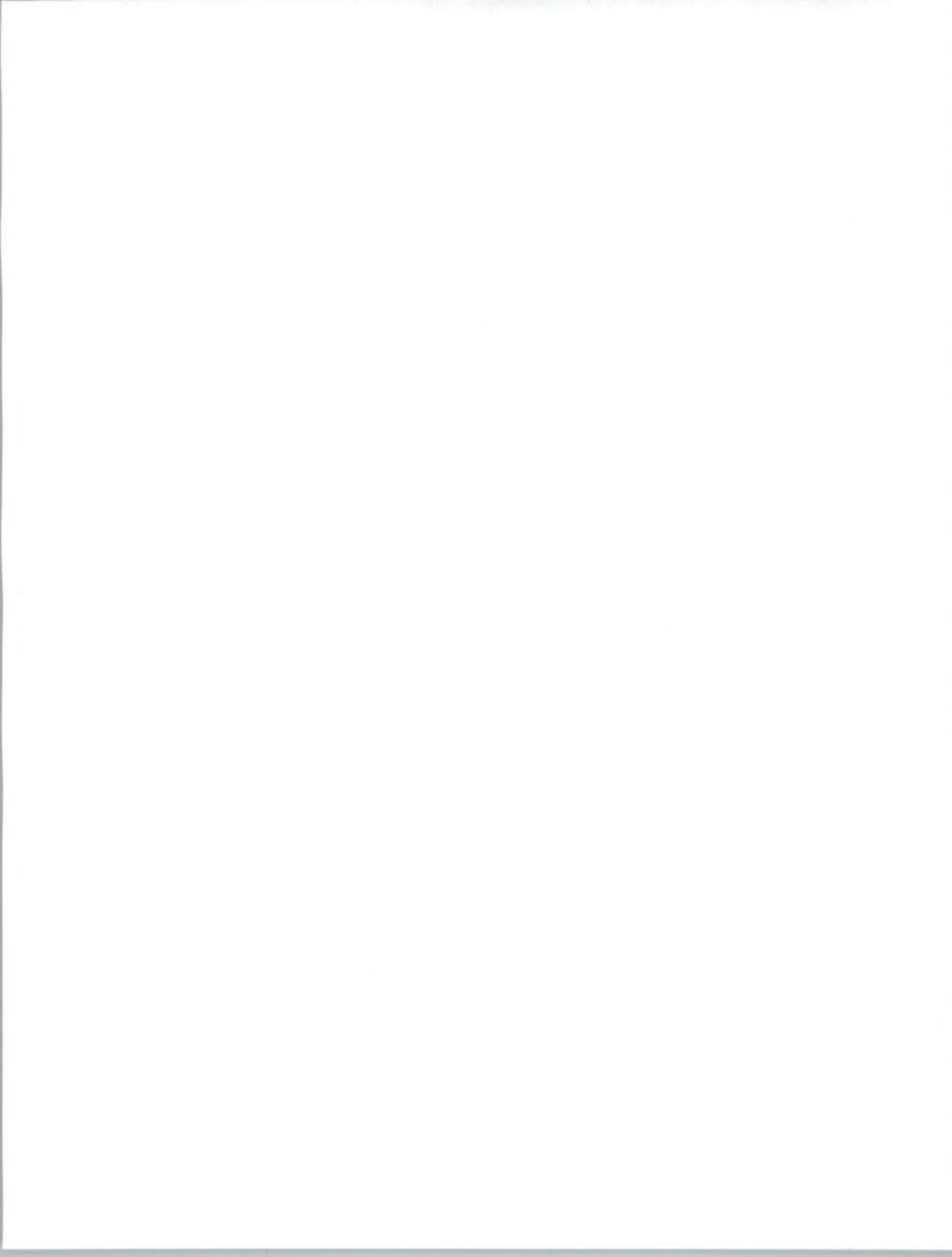
Government IS Outsourcing by Sector—Europe, 1993-1998





Opportunities in Local Government



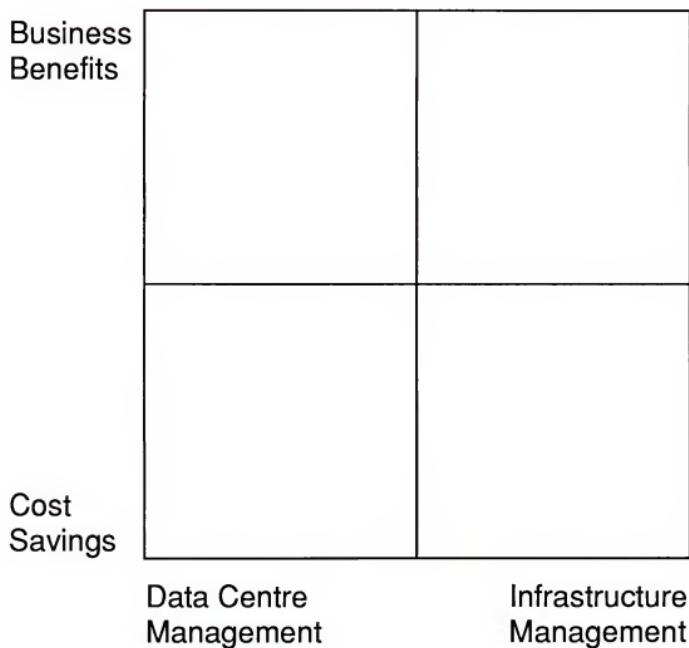


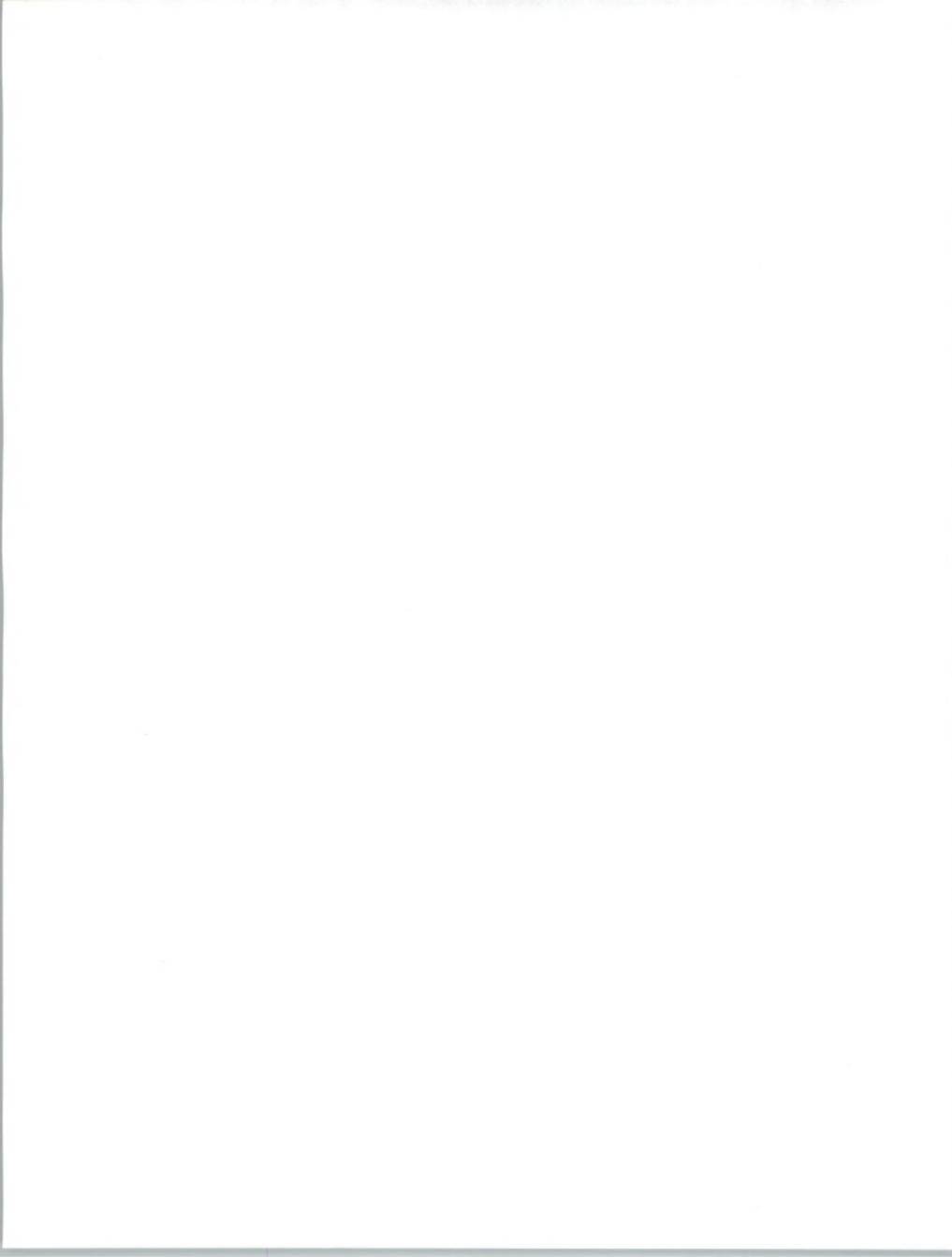
Threat from New Entrants

- Equipment vendors - do they subsidize equipment
- U.S. professional services vendors - the application of leading edge technology
- Large organization data centres - the threat of marginal pricing



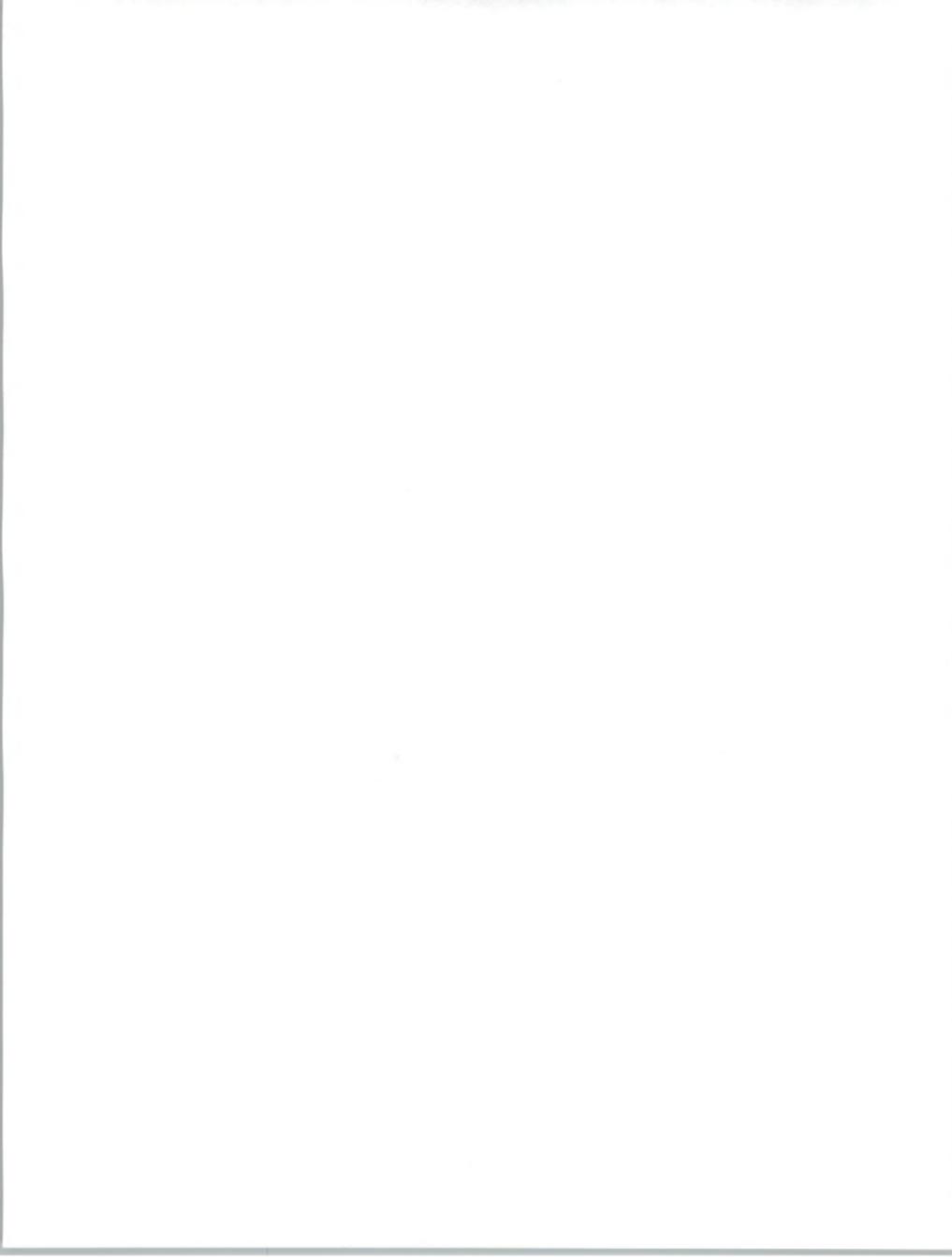
Vendor Positioning



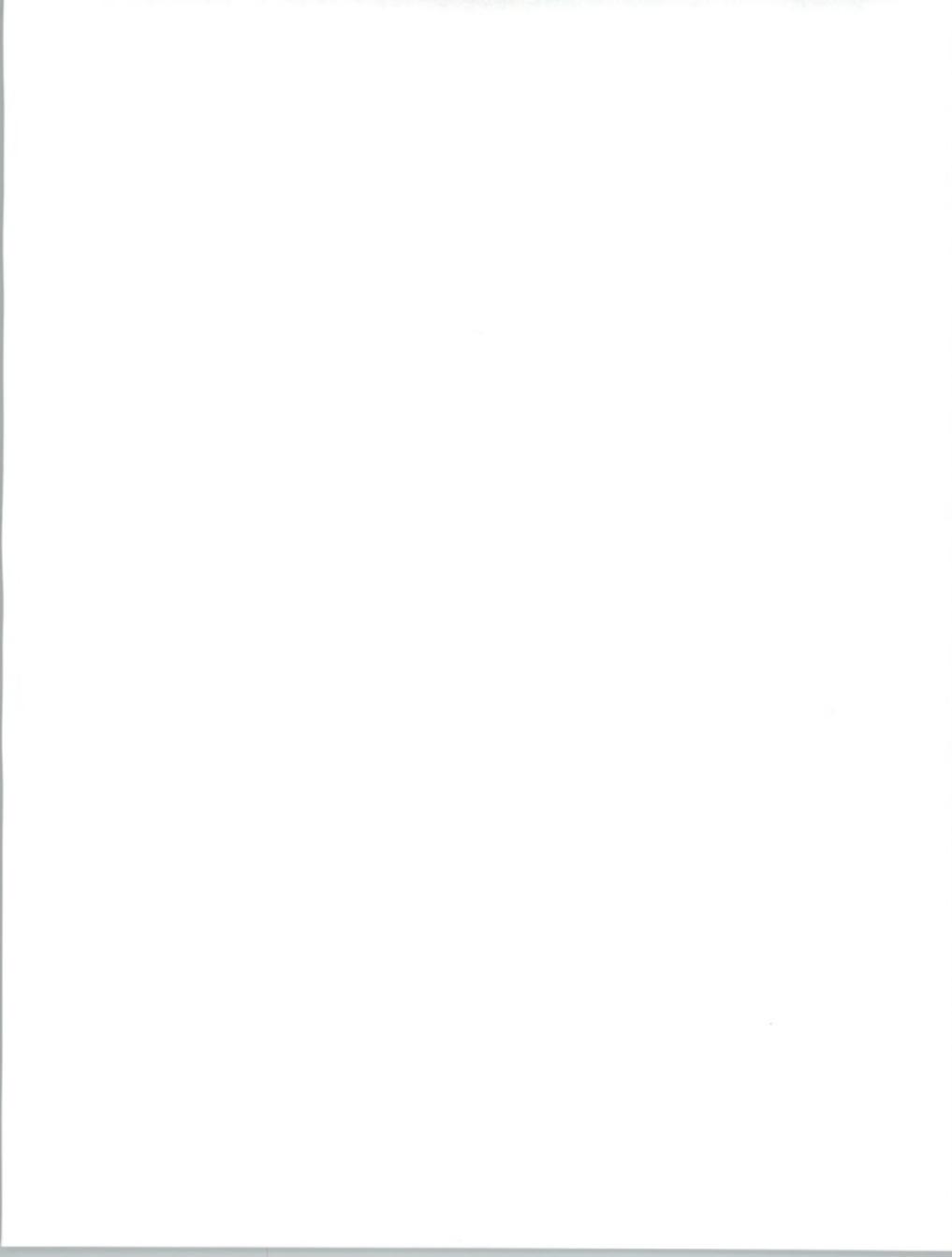


'Octopus' Strategy

Extend arms as far as possible around clients.

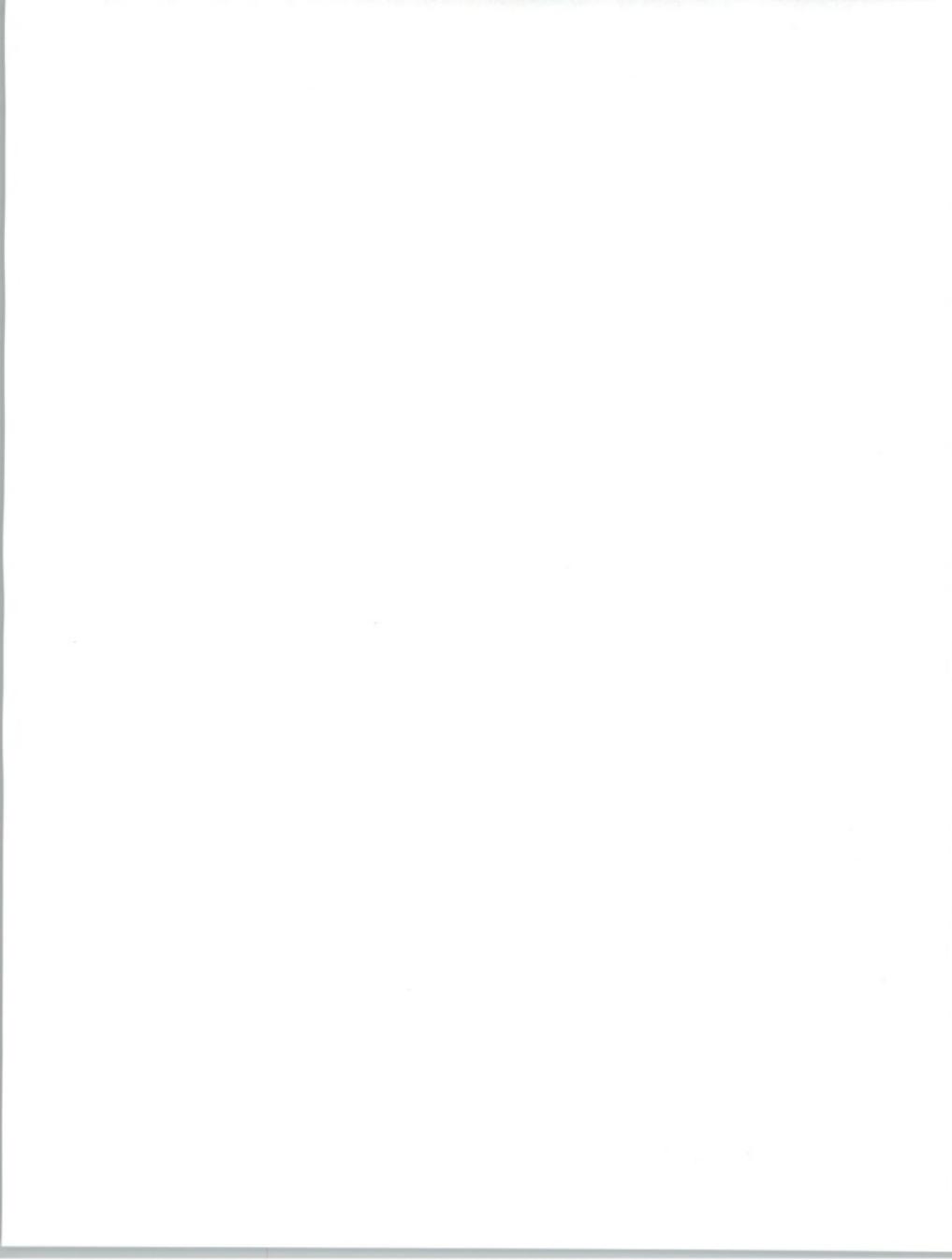


Outsourcing Client Satisfaction



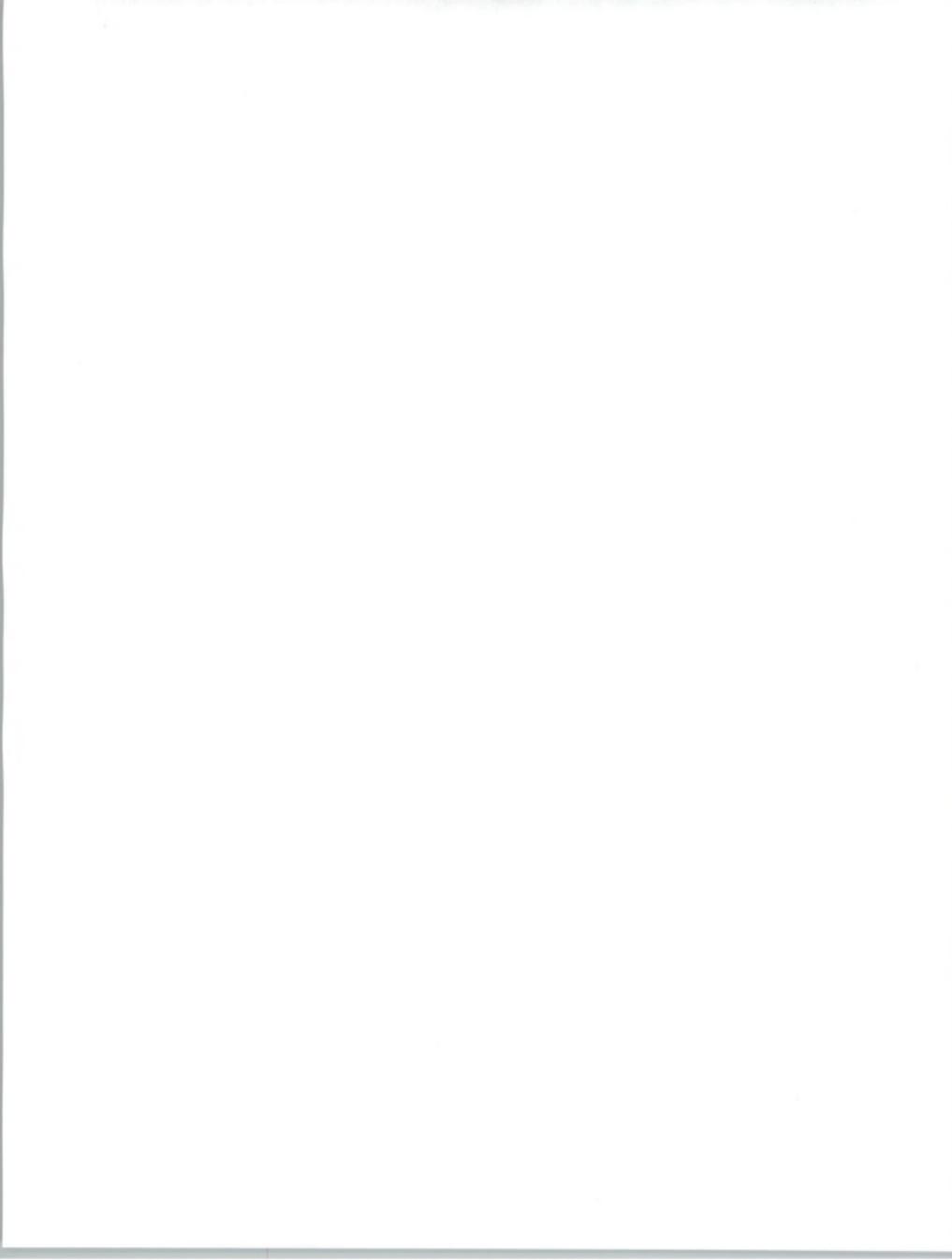
Survey Objectives

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 - Overall
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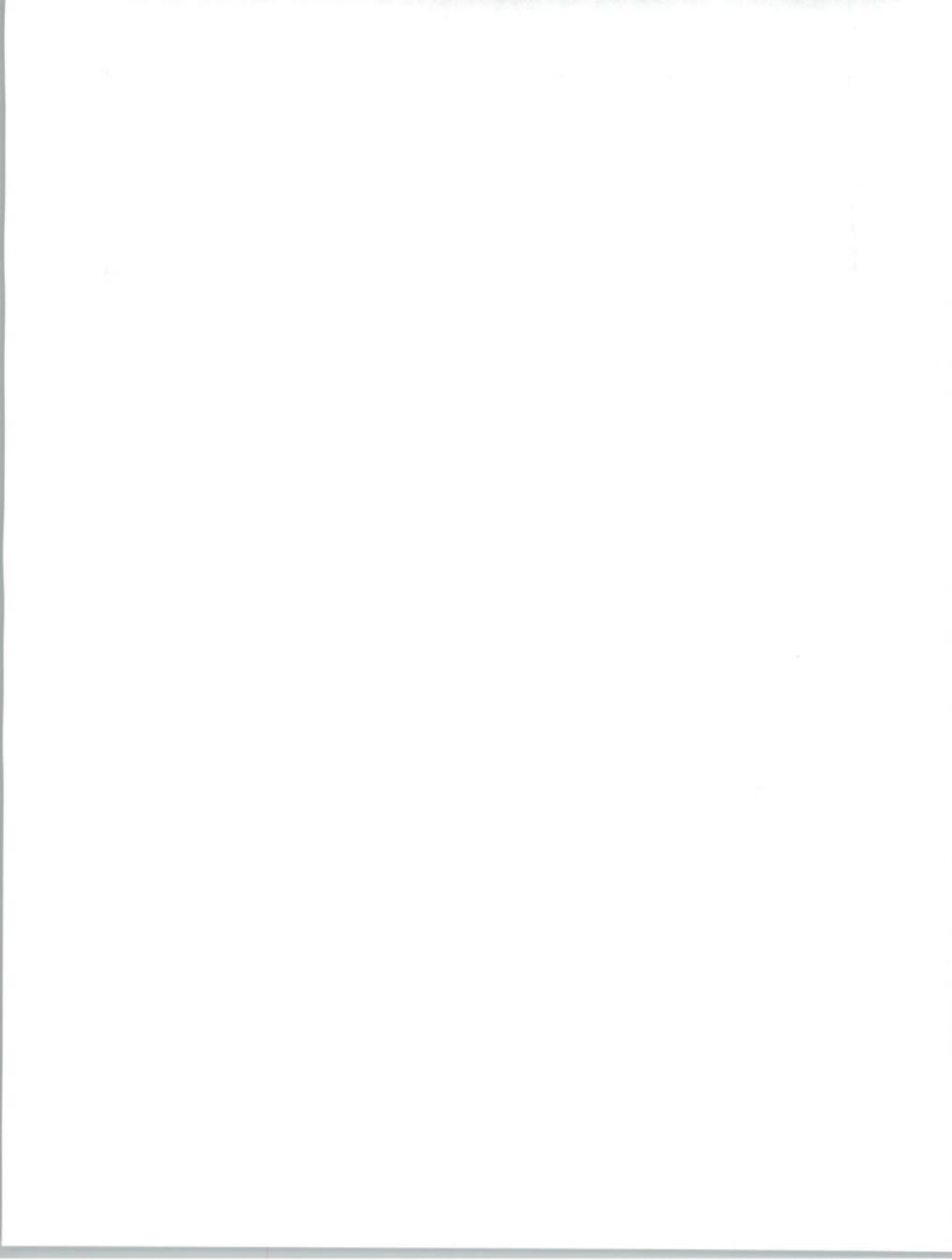
Survey Methodology

- Primarily managing directors and finance directors
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 - 10 Germany



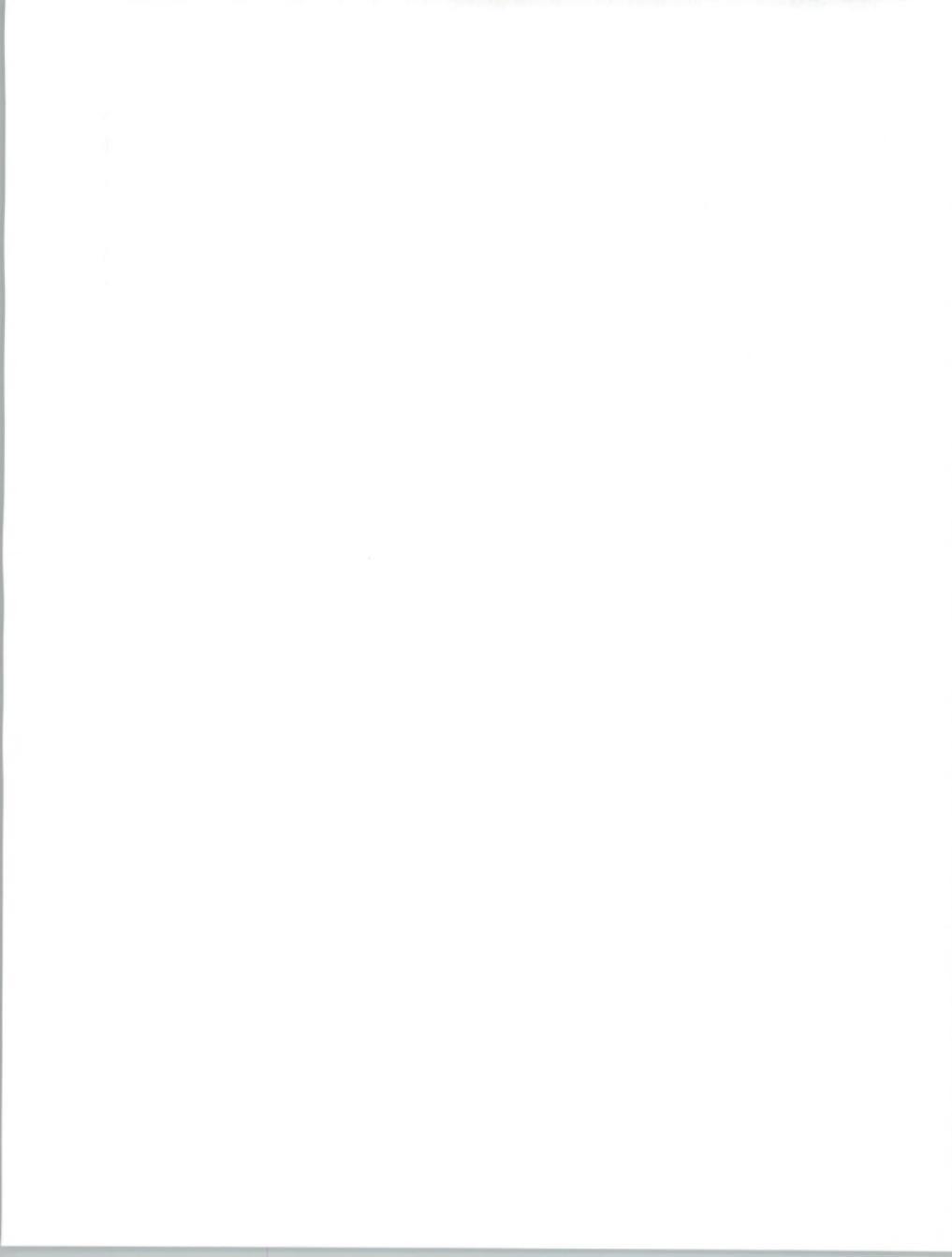
Increasing Client Need for Outsourcing

- Client satisfaction
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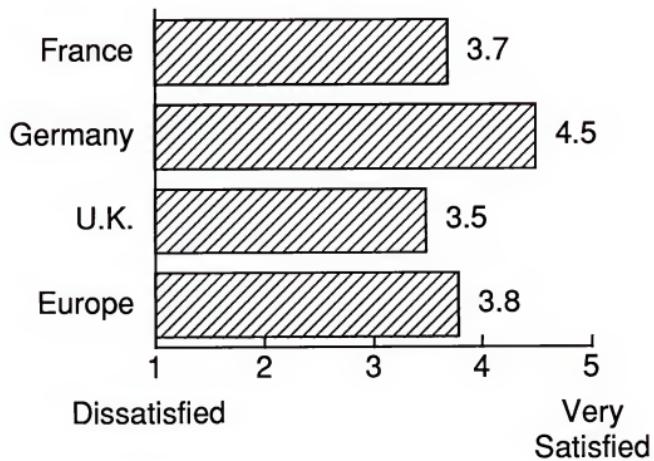


Client Satisfaction

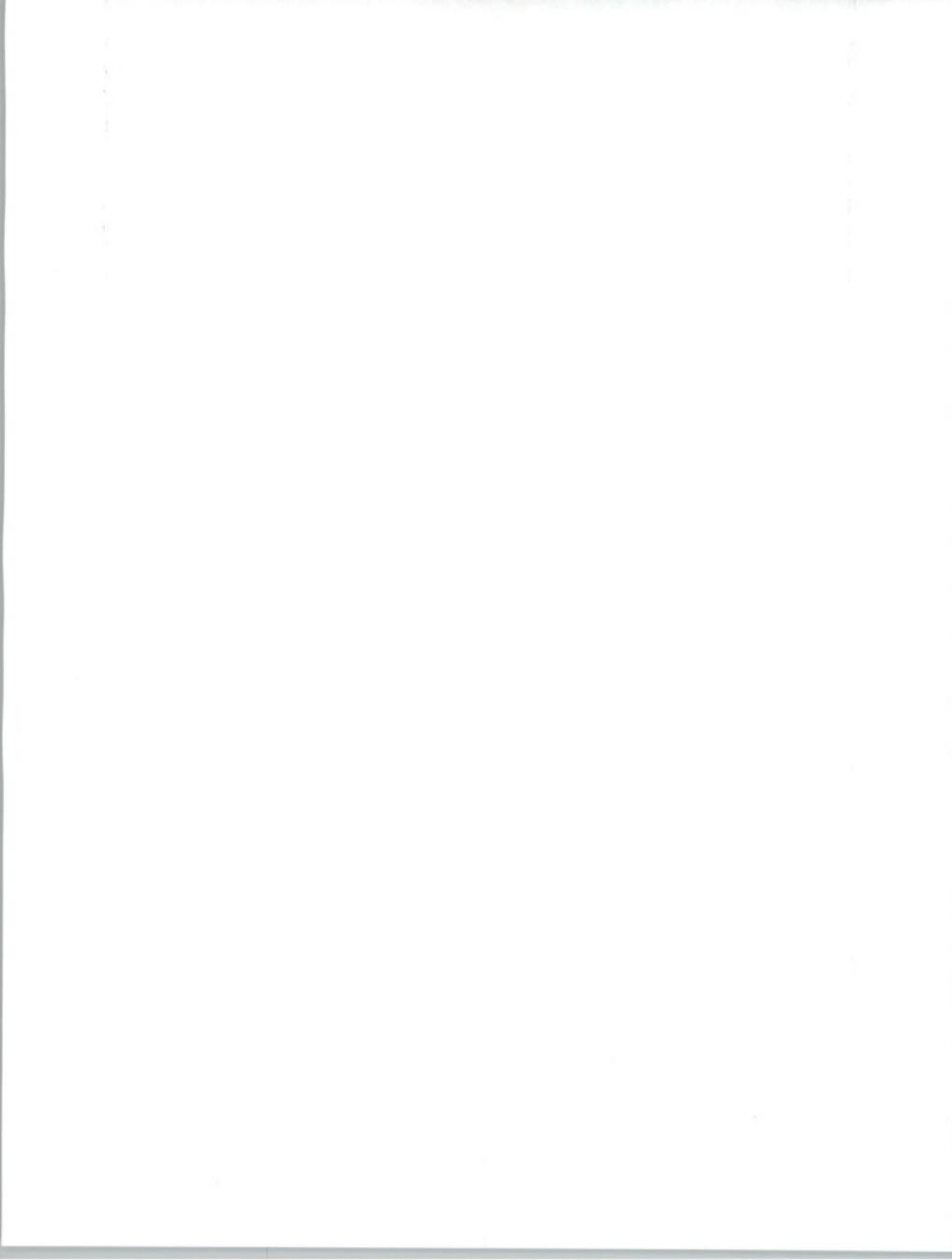
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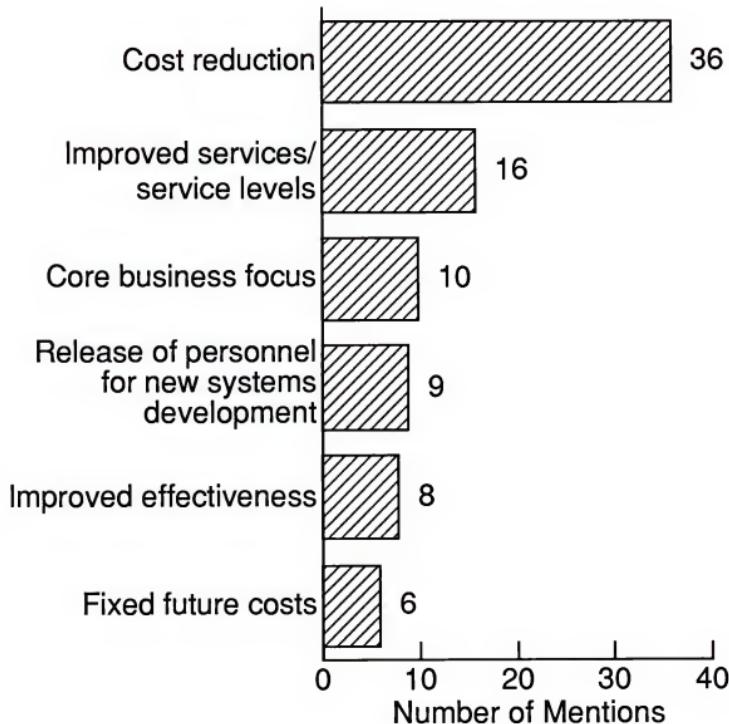
Overall Satisfaction



Sample of 47 users of outsourcing services



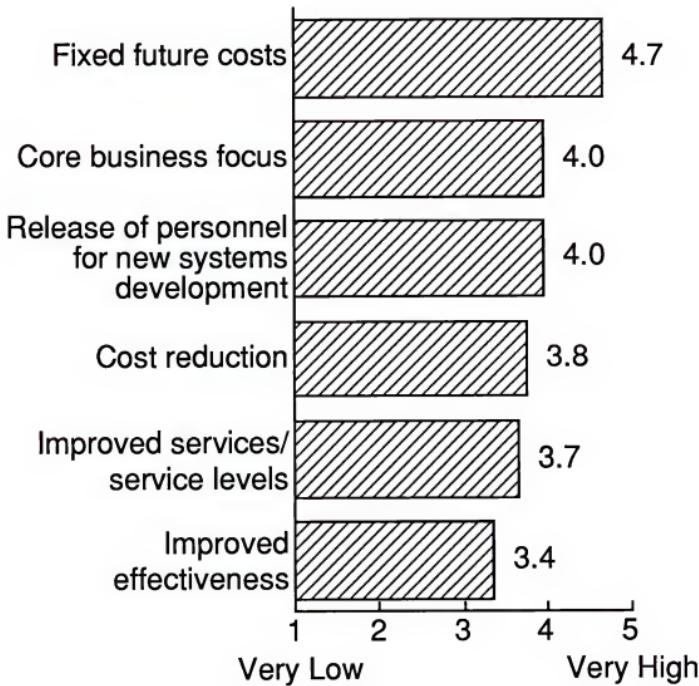
Principal Benefits Sought Europe



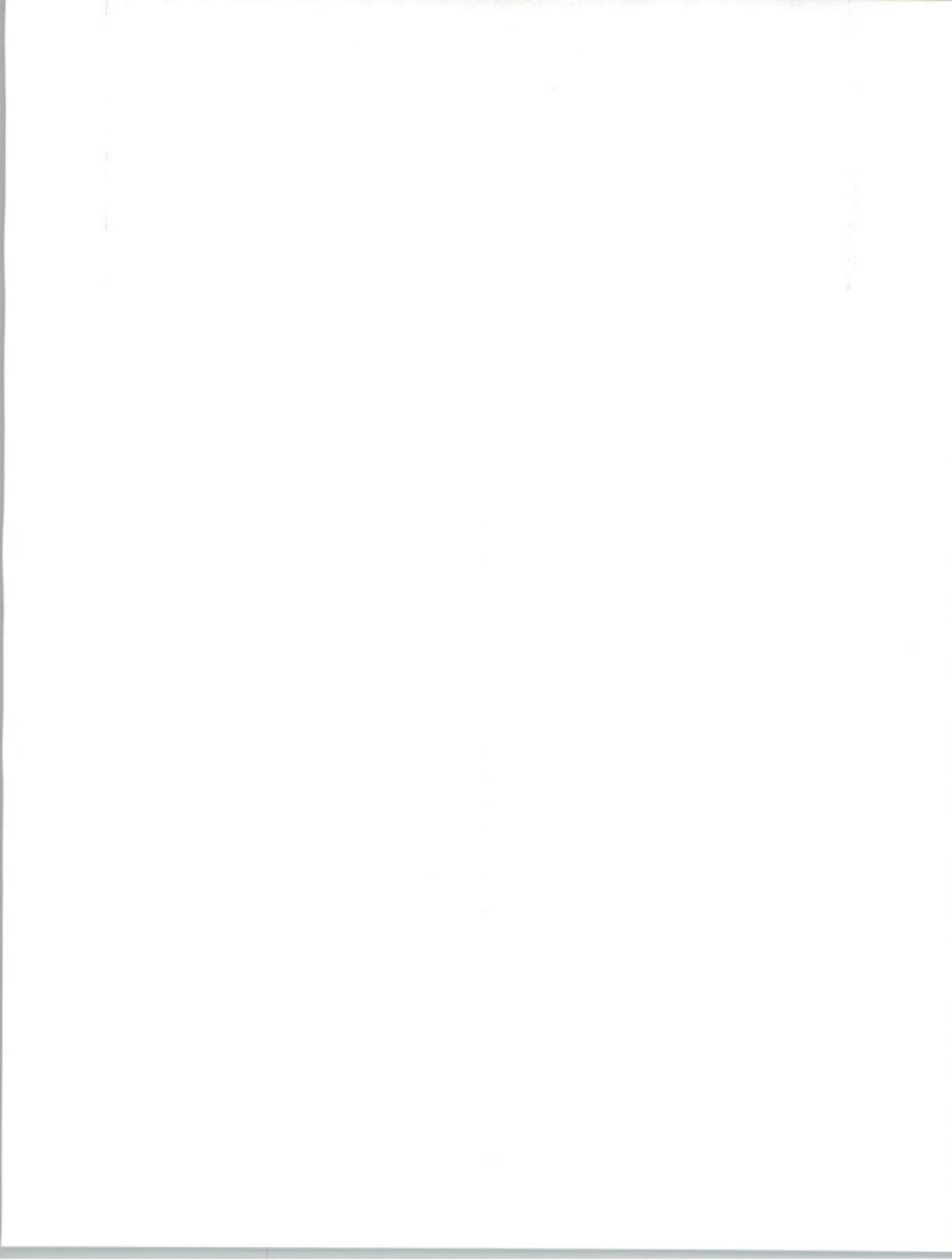
Sample of 47 outsourcing clients



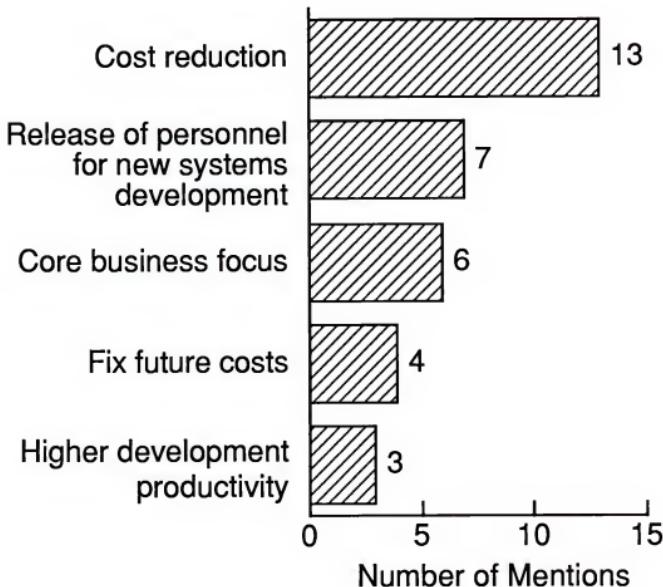
Degree of Achievement of Benefits Sought—Europe



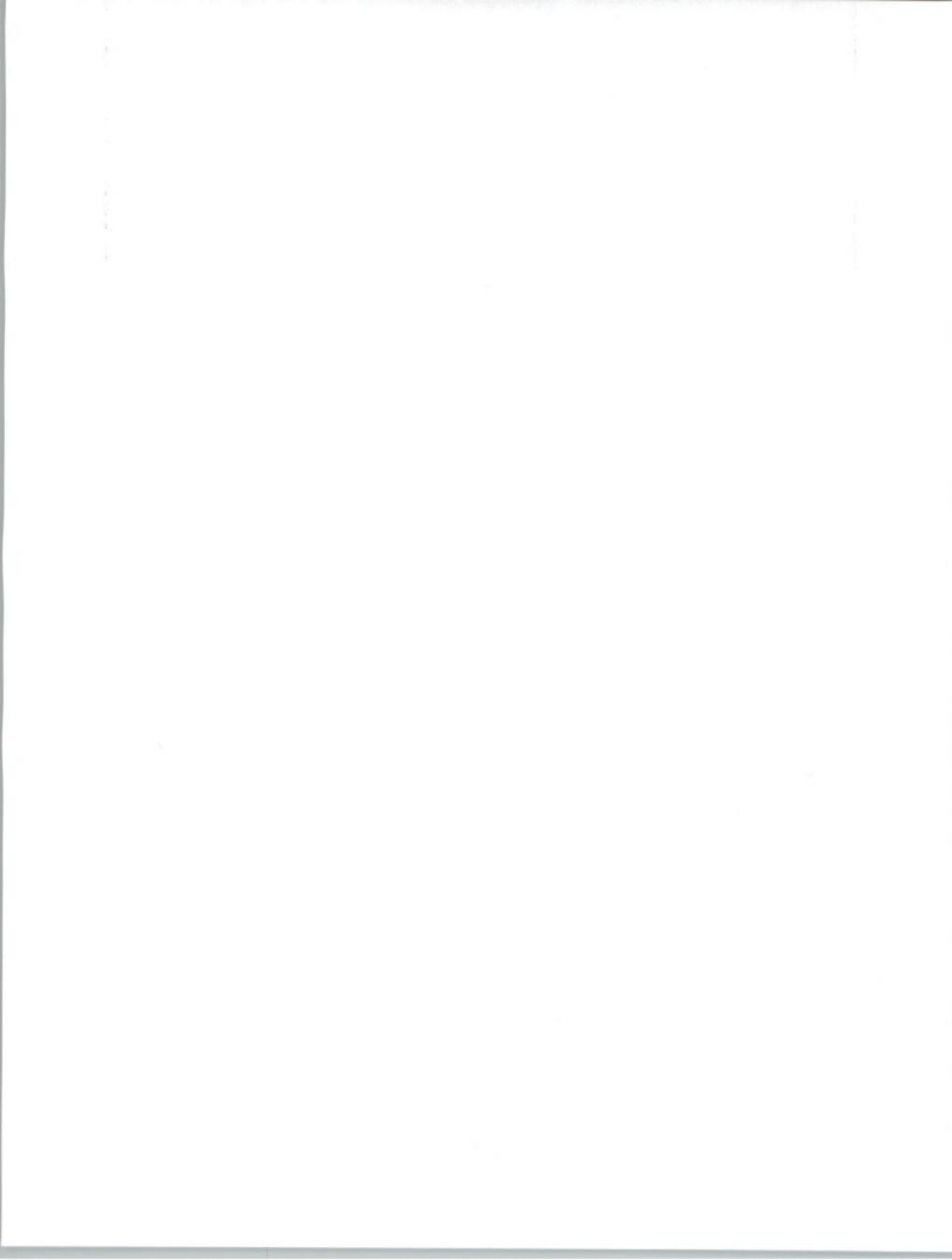
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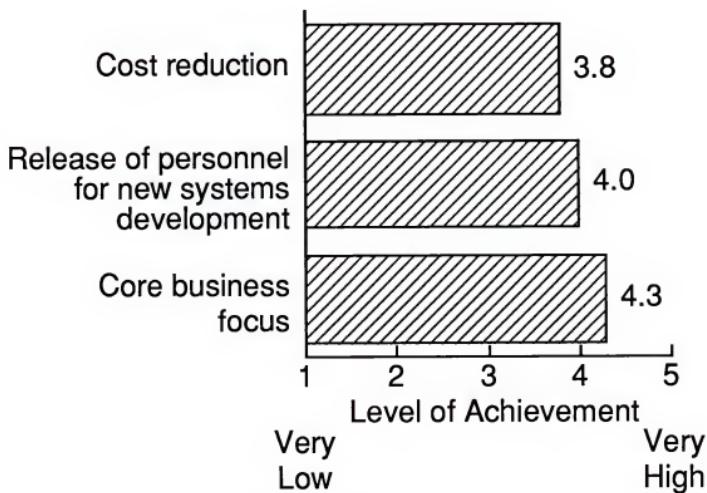
Principal Benefits Sought—France



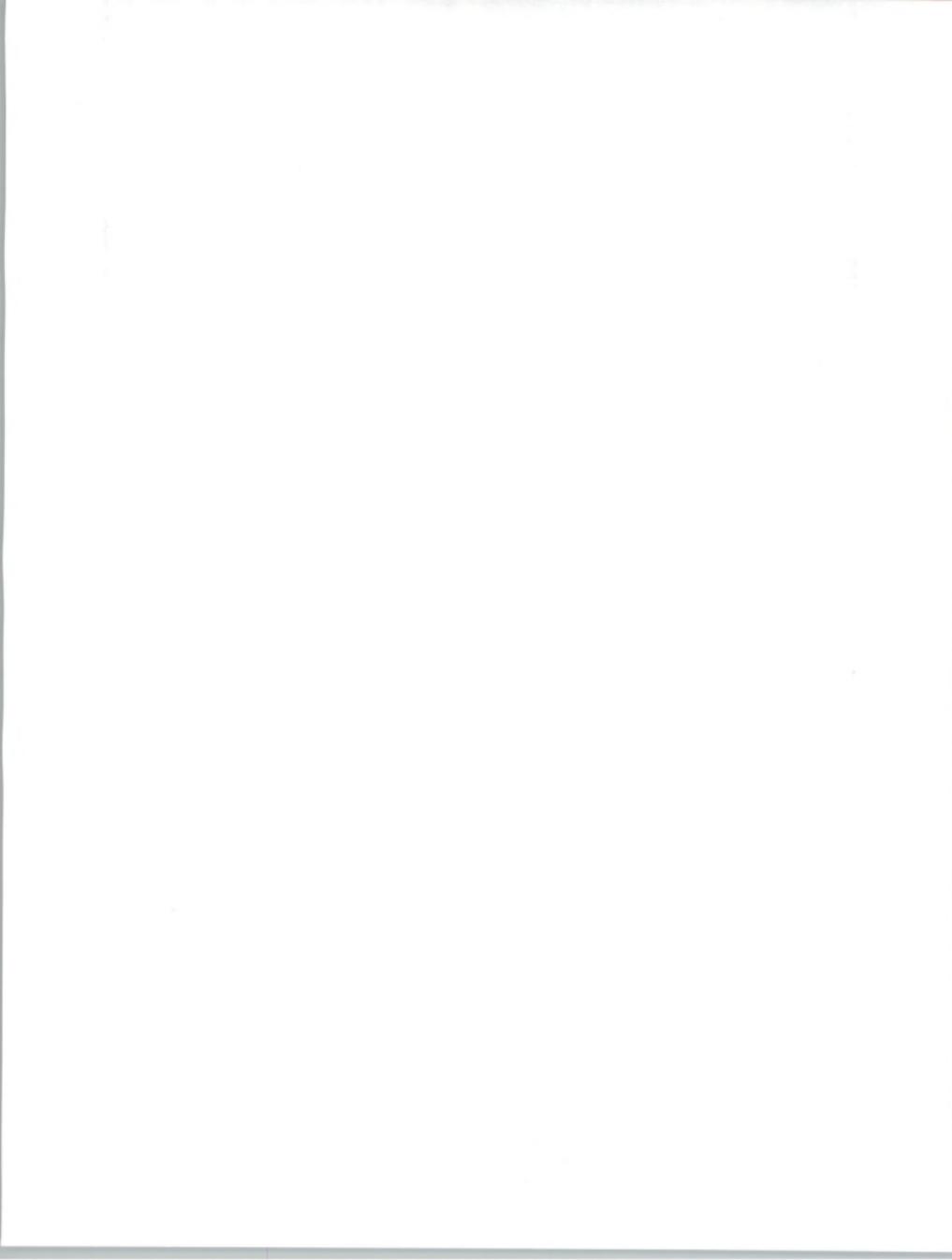
Sample of 17 outsourcing clients



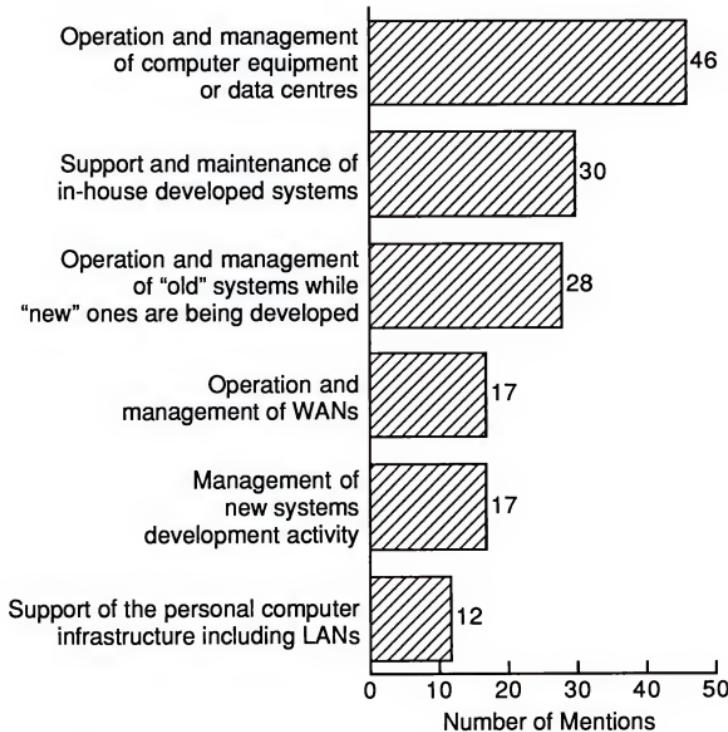
Degree of Achievement of Benefits Sought—France



Sample of 17 outsourcing clients



Outsourcing by Service Category—Europe



Sample of 47 European outsourcing clients

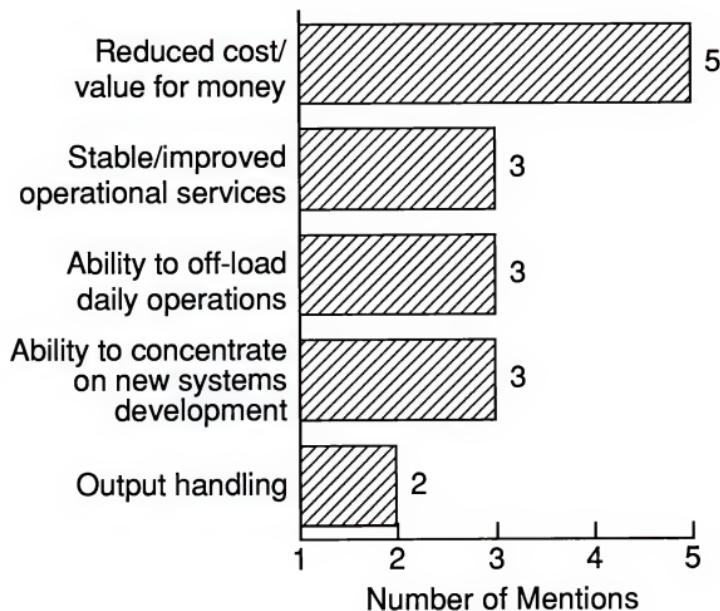


Service Improvement Challenges

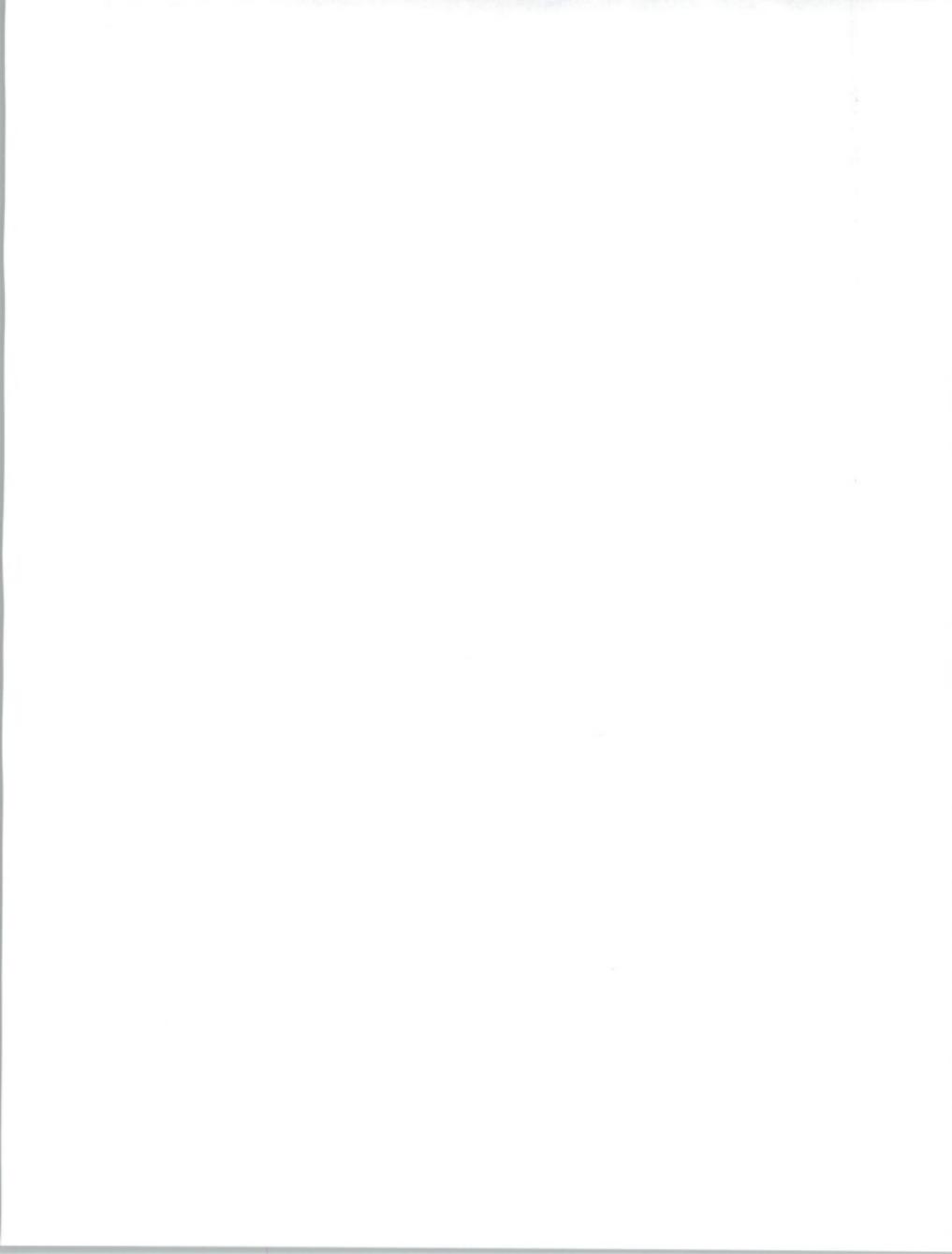
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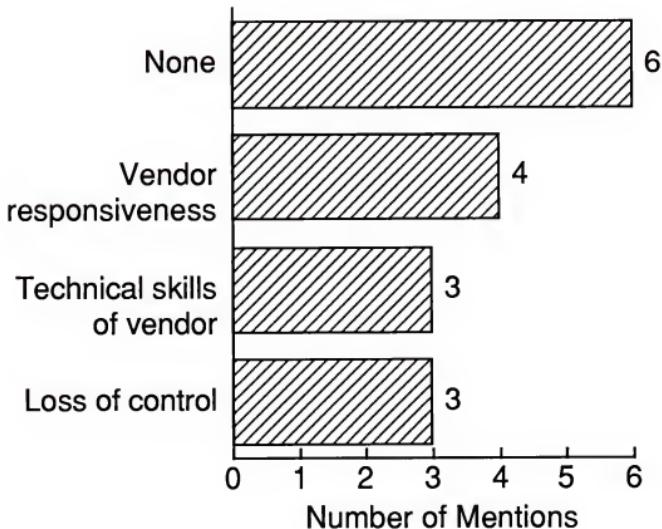
Aspects of Service Liked—France



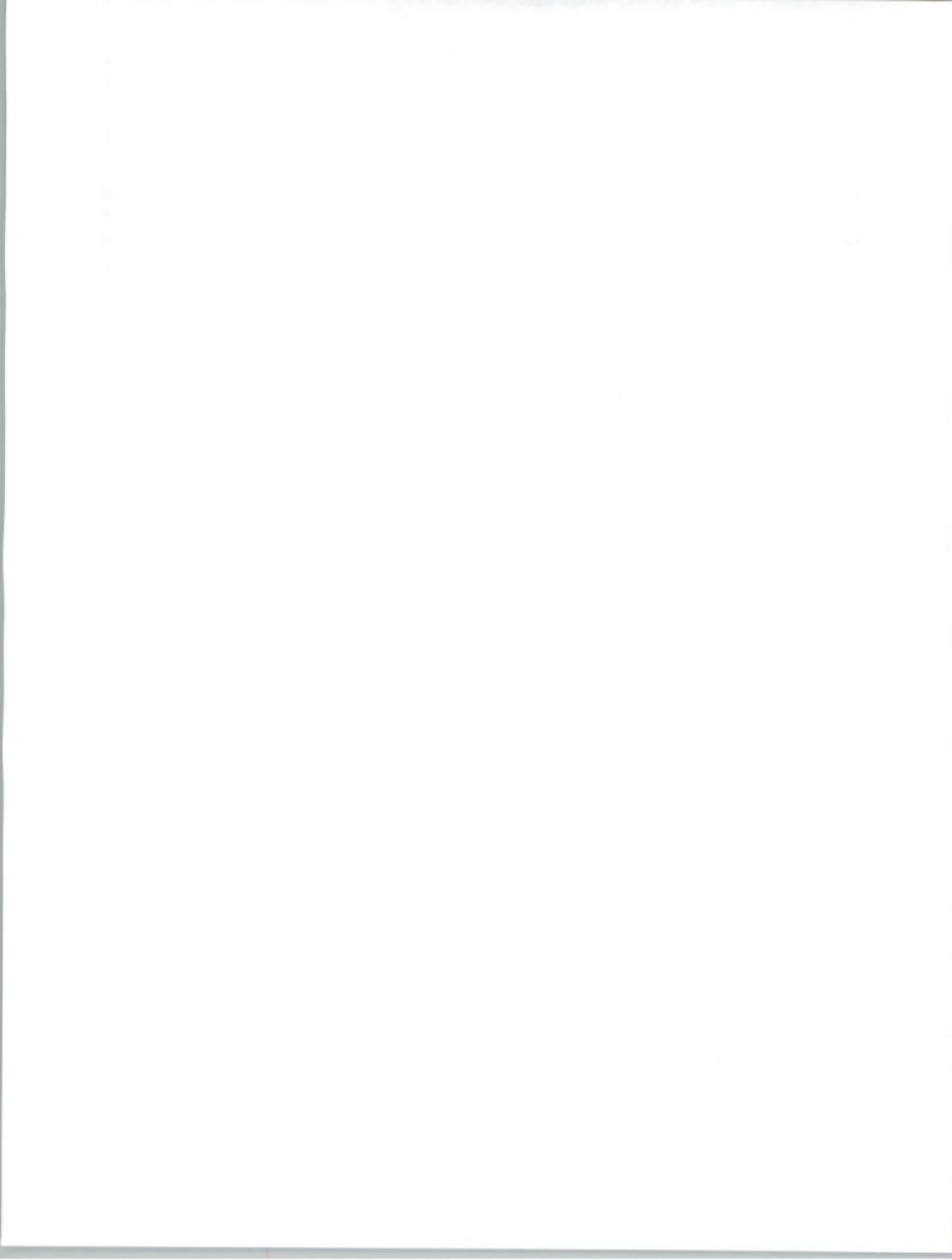
Sample of 17 outsourcing clients



Areas of Dissatisfaction—France



Sample of 17 outsourcing clients



Areas of Dissatisfaction—Europe

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- Inadequate cost reduction
- Excessive bureaucracy
- Inadequate breadth of technical skills

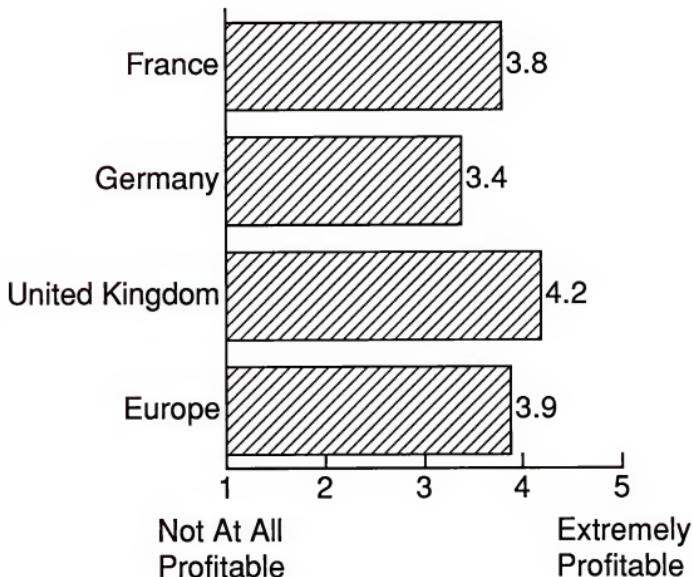


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Perceived Profitability of Outsourcing Contracts

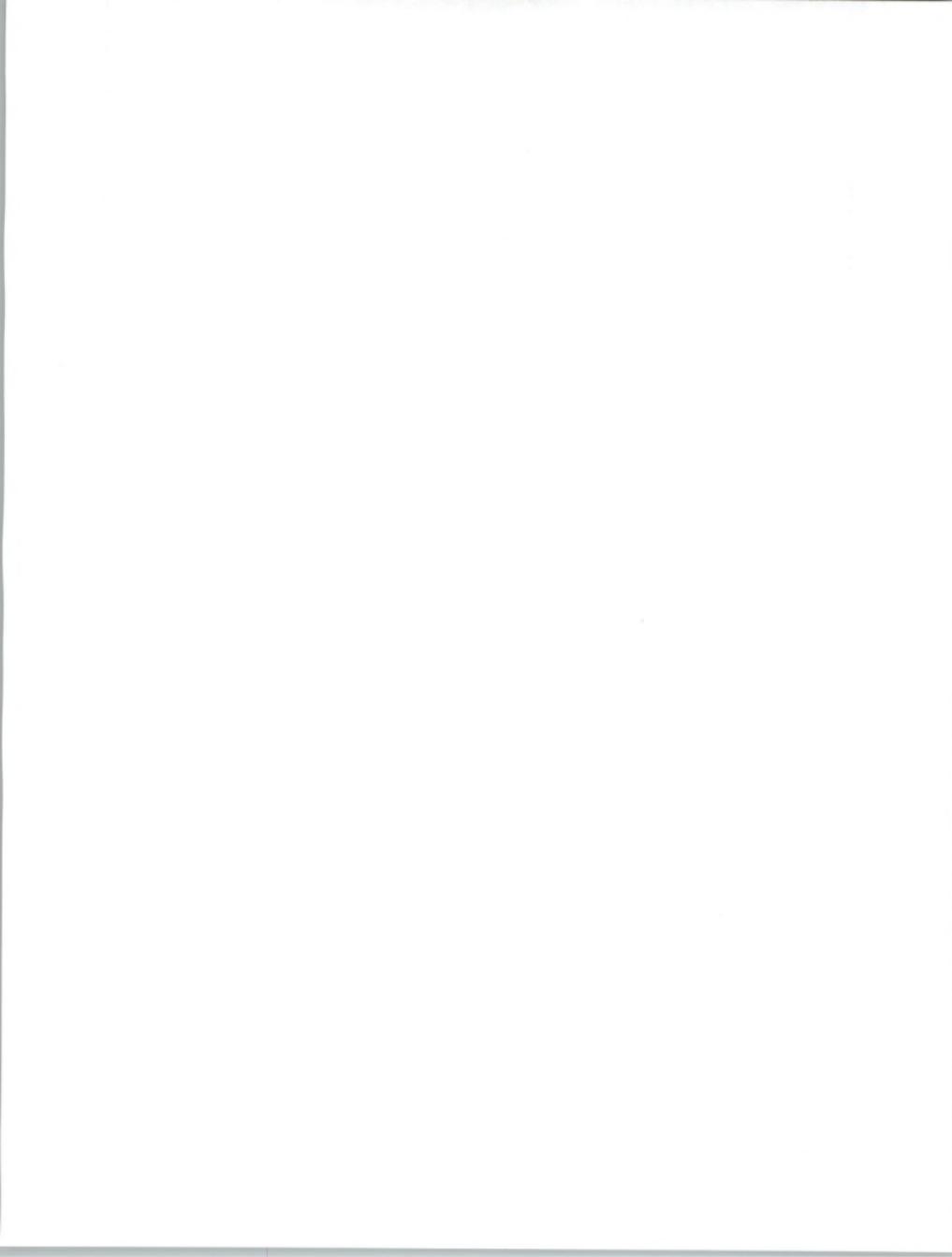


Sample of 47 outsourcing clients



Outsourcing Business Development

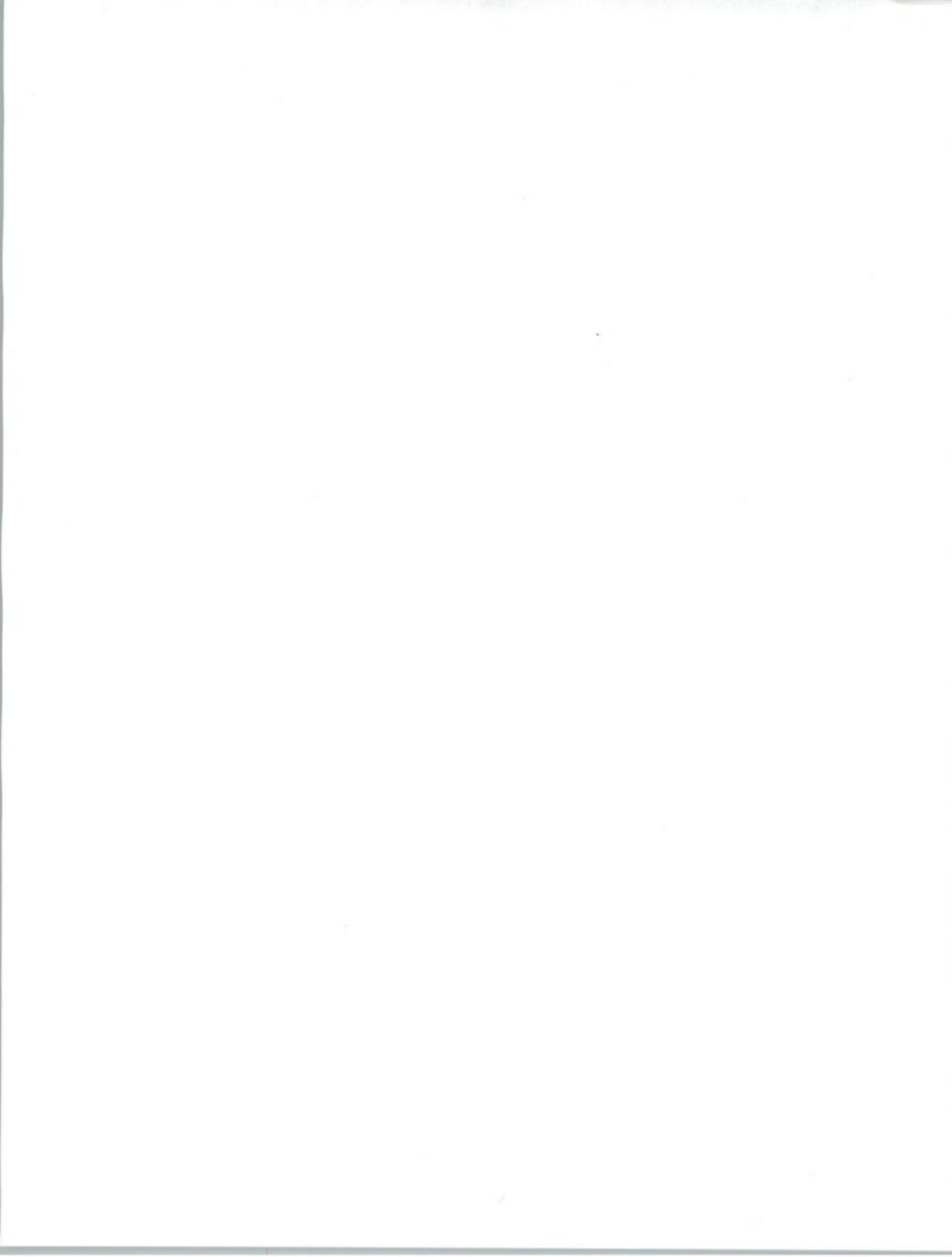
- Clients will increase their use of outsourcing - (70%)
- Clients will renew their outsourcing contracts - (90%)
- Moderate vendor loyalty in France



Overall Satisfaction by Contract Start Date

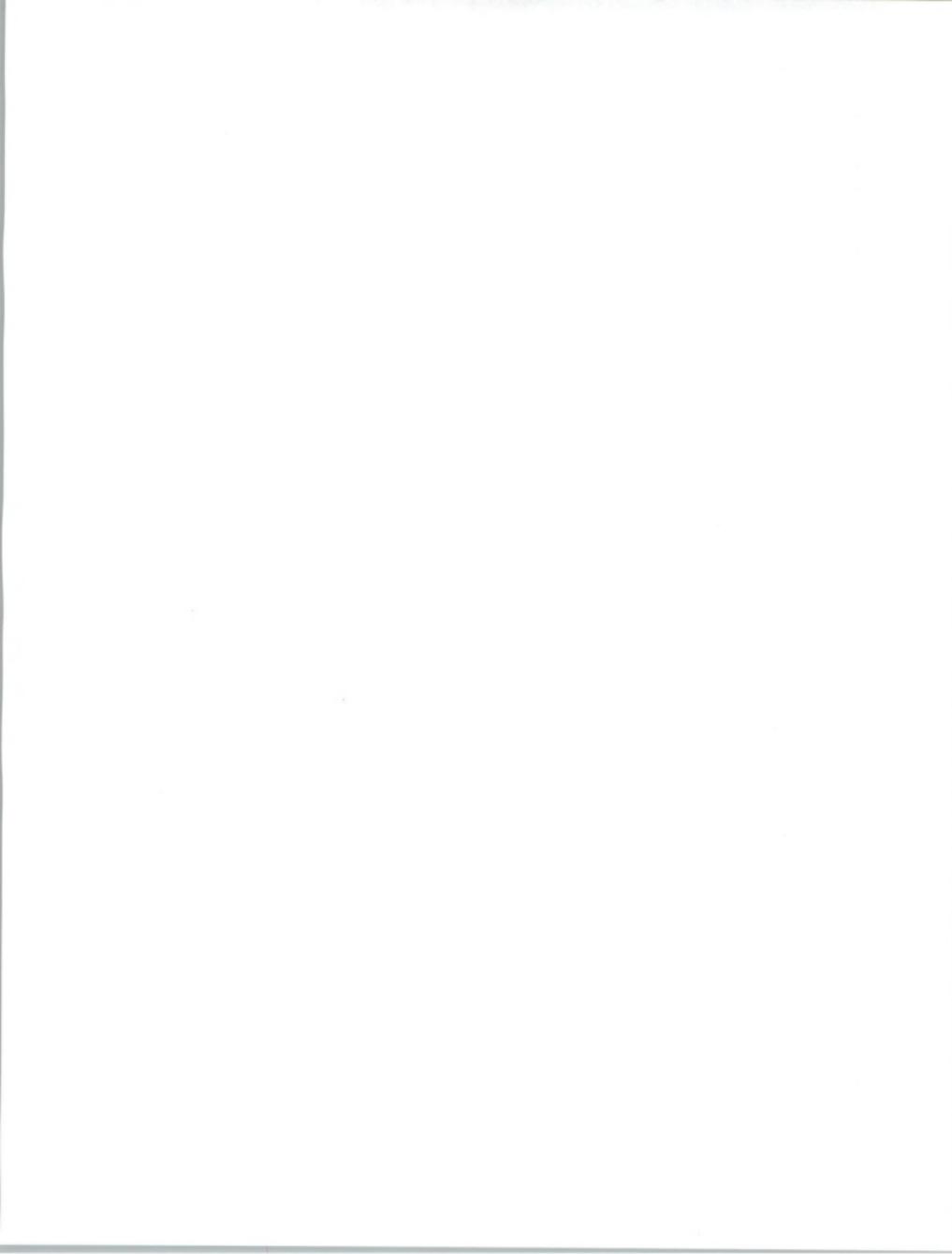


Sample of 29 outsourcing clients

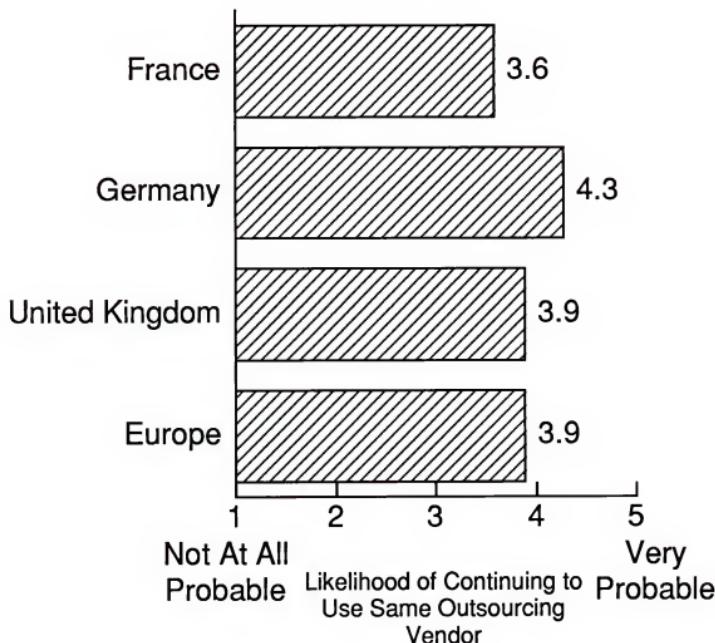


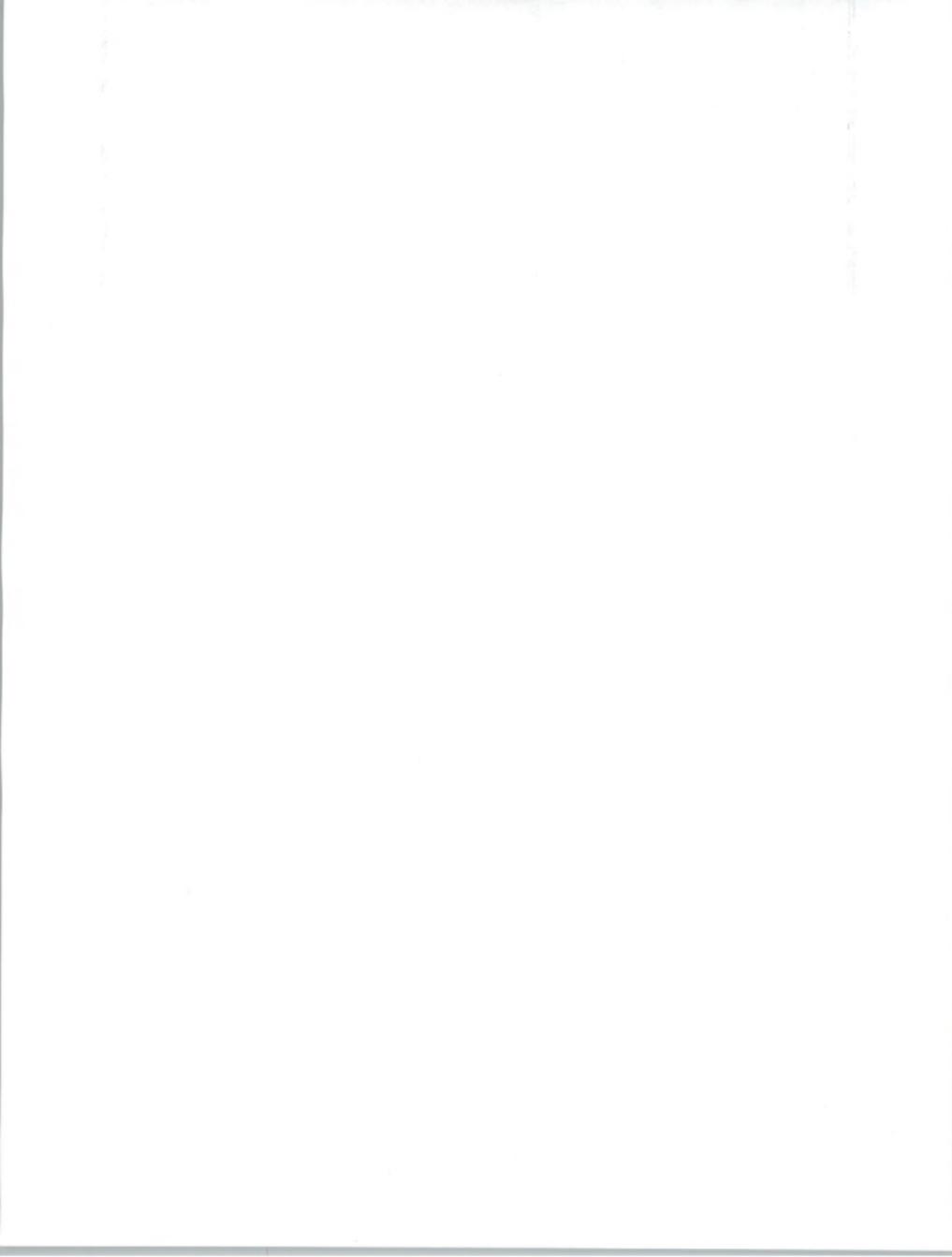
Action at End of Present Contract

Action	Number of Mentions	
	France	Europe
Continue to outsource	12	33
Stop outsourcing	1	4
Total	13	37

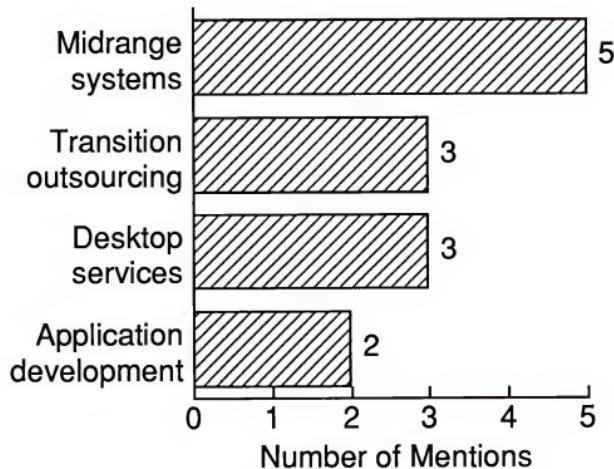


Client Loyalty





Increased Scope of Outsourcing—France

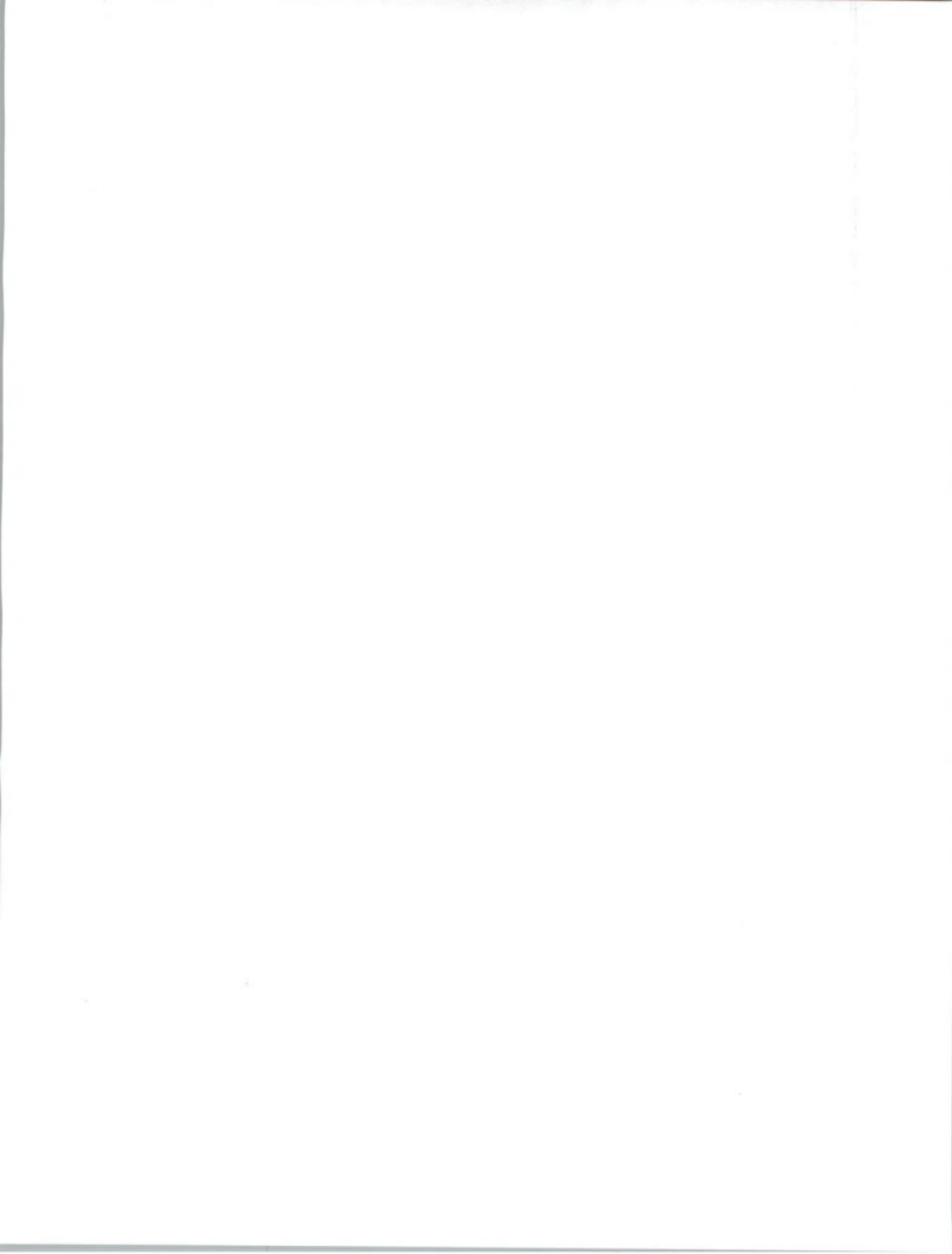


Sample of 12 outsourcing clients



How to Improve Use of Outsourcing

- Outsource more activities
- Improved communication and partnerships
- Meet emerging client needs



Evolution of European Outsourcing

